

# UMzimkhulu

# Municipality



2014/2015

## DRAFT BUDGET AND SUPPORTING DOCUMENTATION

25 MARCH 2014

FINAL BUDGET OF

# **Umzimkhulu Municipality**

2014/15 TO 2016/17  
MEDIUM TERM REVENUE AND  
EXPENDITURE FORECASTS

Copies of this document can be viewed:

- In the foyers of all municipal buildings
- Public library within the municipality
  - At [www.umzimkhululm.gov.za](http://www.umzimkhululm.gov.za)

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**NB:** All policies for 2014/15 will be reviewed in May 2014; currently on the Municipality website ([www.umzimkhululm.gov.za](http://www.umzimkhululm.gov.za)) is 2013/14 policies.

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## Part 1 – Annual Budget

### 1.1 Mayor's Report

#### Budget Report's – 25 March 2014

##### Introduction

To the Honourable Speaker, EXCO members, Councillors, the Municipal Manager, Heads of Department, municipal officials and members of the community.

It is my pleasure, in my capacity as Mayor of the UMzimkhulu Local Municipality, to present for review the draft medium term revenue and expenditure framework (MTREF) for the 2014/2015 financial year and ensuing two years. In terms of section 21(2) (a)-(c) of the MFMA – 'when preparing the annual budget, the mayor of a municipality must:

- (a) Take into account the municipality's integrated development plan (IDP);
- (b) take all reasonable steps to ensure that the municipality revises the IDP in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;
- (c) take into account the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act (DoRA) and any agreements reached in the Budget Forum'.

Thus taking into account the provision of the MFMA as stated above, I present to all present the draft MTREF for 2014/2015 to 2016/2017. The intention is to bring forth the highlights contained within the draft budget in its current form so as to facilitate a process of consultation leading to the compilation of a final budget for the 2014/2015 financial year. It is indeed our stated intention, as the UMzimkhulu Local Municipality, that the Draft budget for the 2014/2015 financial year be adopted as at the end of March 2014, should be a product of rigorous review and extensive consultation such that the limited resources available are allocated towards satisfying the community's priorities and that the budget preparation process itself complies with relevant legislation.

Thus taking into account the legislation that regulates the entire budget preparation and approval processes, Council must, by the end of these proceedings, approve and adopt resolutions, in terms of section 24 of the MFMA, on the annual budget of the municipality for the financial year 2014/15 and

the multi-year and single-year capital appropriations and also the financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets as detailed in the municipality's MTREF document. The Council of UMzimkhulu Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000), must also approve and adopt with effect from 1 July 2014, the tariffs for property rates, the tariffs for solid waste services and the tariffs for other services.

## **Background**

The application of sound financial management principles for the compilation of the UMzimkhulu Municipality budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, accommodation, and catering.

The UMzimkhulu Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- The unemployment in the community that we are serving, having a negative impact on the collect over revenue, and increasing number of indigents.
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;

- Decreased funding of capital projects resulting in cutting of some of the projects that were supposed to be done in this financial year, thus delaying the service delivery; and
- Availability of affordable funding

The draft budget presentation reflects the following consolidated (summary) estimates:

<b>Consolidated Overview of the 2014/15 MTERF</b>		<b>6.2%</b>	<b>5.9%</b>	<b>5.5%</b>
<b>R thousand</b>	<b>PREV. BUDGET 2013-2014</b>	<b>BUDGET YEAR 2014-2015</b>	<b>BUDGET YEAR 2015-2016</b>	<b>BUDGET YEAR 2016-2017</b>
<b>Total Operating Revenue</b>	<b>132 380 912</b>	<b>138 136 480</b>	<b>170 679 959</b>	<b>174 539 251</b>
<b>Total Operating Expenditure</b>	<b>128 885 580</b>	<b>146 506 853</b>	<b>154 418 223</b>	<b>162 756 807</b>
<b>(Surplus)/Deficit for the year</b>	<b>3 495 332</b>	<b>-8 370 373</b>	<b>16 261 736</b>	<b>11 782 444</b>
<b>Own Funded Capital</b>	<b>18 059 892</b>	<b>12 200 000</b>	<b>12 858 800</b>	<b>13 553 175</b>
<b>Total capital Expenditure</b>	<b>102 438 325</b>	<b>82 591 680</b>	<b>68 525 360</b>	<b>70 950 615</b>

I would like to bring forth some of the highlights contained within the draft budget:

#### Overview:

Total operating revenue has grown by 4 per cent or R5 million for the 2014/15 financial year when compared to the 2013/14 Final Budget. For the two outer years, operational revenue will increase by 5.9 and 5.5 per cent respectively, equating to a total revenue growth of R42 million over the MTREF when compared to the 2013/14 financial year. Total operating expenditure for the 2014/15 financial year has been appropriated at R146 million when compared to the 2013/14 Final Budget, operational expenditure has grown by 13 per cent in the 2014/15 budget and by 5.9 and 5.5 per cent for each of the respective outer years of the MTREF.

The own funded capital was budgeted at R18 in the previous years and is now budget at R12 and increases by 5.9 and 5.5 per cent respectively in the 2015/2016 and 2016/2017 financial years.

The capital budget of R82.6 million for 2014/15 is 19 per cent less when compared to the 2013/14 Final Budget. This is due to the decrease in the allocation for the Municipal Infrastructure Grant by 5

per cent in the 2013/2014 financial year, and Small Towns Development Grants does not have any budget. The capital programme decreases to R68 million in the 2015/16 financial year and then increase in 2016/17 to R70.9 million. Consequently, the capital budget remains relatively flat over the medium-term.

Departmental objectives for 2014/2015 are the following:

### **Budget and Treasury Office**

The strategic objective of the Budget and treasury office is to manage the municipal financial resources in a way that will ensure financial viability and the alignment of the budget with the needs and priorities of stakeholders

- On Supply Chain Management will concentrate on local economic development (biasness to local service providers), procurement plan (Enhance efficiency on departmental), healthy management of assets and efficiency on payments of providers
- Implement revenue collection systems by vigorously enforcing credit control and debt management and social responsibility on indigents, customer care issues revenue enhancement strategy, addition in billing for properties and MPRA (supplementary roll)
- Implement the financial plans that have emphasis on budget process, MTREF, service delivery and budget implementation plan and financial reporting.

### **Infrastructure and Engineering**

Strategic objective	Departmental Objective	Programmes	Funding Source
To provide sustainable public facilities by 2017 - 5% annual reduction in public facilities backlog by 2016	<b>Buildings and Community Halls</b>	Community Halls Construction: Ward 20	MIG
		Community Halls Construction: Ward 18	
		Traffic Offices: Phase 2	
Provision of sustainable road infrastructure to ULM Community - 5% reduction in road construction backlogs	<b>Roads &amp; Storm Water</b>	3.2 Km's Gravel Road Constructed  and  1km of road tarred	MIG

To continuously contribute towards the strengthening of the ULMs own revenue base while ensuring efficient and economical provision of electricity	<b>Electrification</b>	2465 (Nsikeni - 1875, Skhulu - 470, Magcakeni - 120)	Department of Energy
		142 Street lights	
		12 Monthly Reports submitted to Standing Committee	
Construct 2 Sports fields per annum (ward 17 & 19)	<b>Community Assets</b>	Ward 19 sports field & ward 16 soccer field, & other sports fields in progress.	MIG
To provide sustainable public facilities by 2017 - 5% annual reduction in public facilities backlog by 2016	<b>Maintenance</b>	Maintenance of Public Facilities	OWN REVENUE

## **CORPORATE SERVICES DEPARTMENT**

Based on the operational plan of the department for the next financial year the department has identified many objectives but for the purposes of this session I am going to highlight only 5 key priorities for the year.

- Provision of general office management and administration services.
- Ensure proper records management within the municipality.
- To develop and improve skills level in the municipality.
- Conduct job evaluation.
- Implementation of performance management services within the municipality.
- Effective fleet management

## **COMMUNITY AND SOCIAL SERVICES**

### **COMMUNITY DEVELOPMENT**



- Disaster management programs
- Firefighting programs
- HIV/Aids awareness campaigns

## **ARTS AND CULTURE**

- Flea markets
- Competition for music, song and dance
- Competition for literature
- Moral regeneration programs

## **PLANNING AND HOUSING DEPARTMENT**

### **Urban Renewal CBD & the Proposal Nodes: Impact vs planning**

- Verification of the proposed nodes, implementation plans for each node, BP's, layout plans, zoning, building control

### **Housing Development**

- Will be inviting proposals from the property developers for the development of Middle to High Income Housing ( Residential Zoning)  
  
The CHC and the Mixed use development (Commercial Development and the Government complex)
- Completion of Low Cost Housing Projects by the KZN-Department of Housing

### **Local Economic Development & Tourism**

- Implementation of LED & Tourism Projects : Funding Constraints reliance on grant funding from other potential funders

### **Local Economic Development**

- Registration of SMME's /Individuals through CIPRO

### **Land Administration**

- Acquisition of state land (process)

- Transfer of properties to the individuals as well as state properties
- Implementation of land policy as well as the enforcement

#### Revenue:

For UMzimkhulu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 30 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

Rates and service charge revenues comprise more than 6% of the total operating revenue mix. In the 2013/14 financial year, revenue from rates and services charges totalled R8.5 million or 6 per cent. This collection on the rates will be R8.5 million, R9 million and R9.4 million in the respective financial years of the MTREF. The total percentage revenue generated from rates and services charges is constant 6 per cent in 2015/16 and in 2016/2017.

Operating grants and transfers totals R123 million in the 2014/15 financial year and rapidly increases to R155 and R158 million by 2014/15 and 2015/2016. Note that the year-on-year growth for the 2014/15 financial year is 19 per cent, also increases by 25 per cent in 2015/2016 and then flattens out to 2 per cent in 2016/2017.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. The Municipality will have to implement a refuse removal strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of refuse removal function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

#### Expenditure:

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of 'no project plan, no budget'. If there is no business plan no funding allocation can be made.

The budgeted allocation for employee related costs for the 2014/15 financial year totals R57.5 million. Based on the new Circular 72 released on the 17 march 2014, salary increases have been factored into this budget at a percentage increase of 6.79 per cent for the 2014/15 financial year. An annual increase of 6.40 and 6.40 per cent has been included in the two outer years of the MTREF. As part of the UMzimkhulu municipality cost reprioritisation and cash management strategy, vacancies have been significantly rationalised downwards. The cost associated with the remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the UMzimkhulu municipality's budget.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies

can be achieved. Growth has been limited to 4 per cent for 2014/15 and curbed at 5.9 and 5.5 per cent for the two outer years, indicating that significant cost savings have been already realised.

Ladies and gentlemen, may I take this opportunity to thank you for your attentiveness and your contribution in the on-going development of UMzimkhulu

Thank you

**Councillor M. Mpabanga**

**Mayor of UMzimkhulu Municipality**

## **1.2 Council Resolutions**

On 25 March 2014 the Council of Umzimkhulu Municipality met in the Council Chambers of Umzimkhulu Municipality to consider the draft annual budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

1. The Council of Umzimkhulu Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table A6;
    - 1.2.2. Budgeted Cash Flows as contained in Table A7;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
    - 1.2.4. Asset management as contained in Table A9; and
    - 1.2.5. Basic service delivery measurement as contained in Table A10.
2. The Council of Umzimkhulu Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:

- 2.1. the tariffs for property rates – as set out in Annexure A,
- 2.2. the tariffs for solid waste services – as set out in Annexure B
3. The Council of Umzimkhulu Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014 the tariffs for other services, as set out in Annexures
4. To give proper effect to the municipality's annual budget, the Council of Umzimkhulu Local Municipality approves:
  - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
  - 4.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

### **Approved**

**Municipal Manager:**

**Mr. Z.S. Sikhosana**

## **1.3 Executive Summary**

The application of sound financial management principles for the compilation of the UMzimkhulu Municipality budget is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. Key areas where savings were realized were on telephone and internet usage, printing, workshops, accommodation, and catering.

The UMzimkhulu Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- The unemployment in the community that we are serving, having a negative impact on the collect over revenue, and increasing number of indigents.

- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Decreased funding of capital projects resulting in cutting of some of the projects that were supposed to be done in this financial year, thus delaying the service delivery; and
- Availability of affordable funding

The draft budget presentation reflects the following consolidated (summary) estimates:

Consolidated Overview for the			
2014/15 MTREF	6.20%	5.90%	5.50%
	Budget year	Budget year	Budget year
	2014/2015	2015/2016	2016/2017
<b>REVENUE</b>			
OWN REVENUE	15 025 160	15 836 519	16 691 691
OPERATING REVENUE GRANTS	123 111 320	154 843 440	157 847 560
<b>TOTAL OPERATING REVENUE</b>	<b>138 136 480</b>	<b>170 679 959</b>	<b>174 539 251</b>
CAPITAL GRANTS	70 395 680	55 666 560	57 397 440
<b>TOTAL CAPITAL FUNDING</b>	<b>70 395 680</b>	<b>55 666 560</b>	<b>57 397 440</b>
<b>TOTAL REVENUE</b>	<b>208 532 160</b>	<b>226 346 519</b>	<b>231 936 691</b>
<b>EXPENDITURE</b>			
GENERAL EXPENSES	79 213 500	83 491 029	87 999 545
SALARIES	57 505 353	60 610 642	63 883 616
REPAIRS AND MAINTENANCE	9 788 000	10 316 552	10 873 646
	<b>146 506 853</b>	<b>154 418 223</b>	<b>162 756 807</b>
OWN CAPITAL	12 200 000	12 858 800	13 553 175
CAPATAL GRANTS	70 395 680	55 666 560	57 397 440
	<b>82 595 680</b>	<b>68 525 360</b>	<b>70 950 615</b>
<b>TOTAL EXPENDITURE</b>	<b>229 102 533</b>	<b>222 943 583</b>	<b>233 707 422</b>

I would like to bring forth some of the highlights contained within the draft budget:

#### Overview:

Total operating revenue has grown by 4 per cent or R5 million for the 2014/15 financial year when compared to the 2013/14 Final Budget. For the two outer years, operational revenue will increase by 5.9 and 5.5 per cent respectively, equating to a total revenue growth of R42 million over the MTREF when compared to the 2013/14 financial year. Total operating expenditure for the 2014/15 financial year has been appropriated at R146 million when compared to the 2013/14 Final Budget, operational expenditure has grown by 13 per cent in the 2014/15 budget and by 5.9 and 5.5 per cent for each of the respective outer years of the MTREF.

The own funded capital was budgeted at R18 in the previous years and is now budget at R12 and increases by 5.9 and 5.5 per cent respectively in the 2015/2016 and 2016/2017 financial years.

The capital budget of R82.6 million for 2014/15 is 19 per cent less when compared to the 2013/14 Final Budget. This is due to the decrease in the allocation for the Municipal Infrastructure Grant by 5 per cent in the 2013/2014 financial year, and Small Towns Development Grants does not have any budget. The capital programme decreases to R68 million in the 2015/16 financial year and then increase in 2016/17 to R70.9 million. Consequently, the capital budget remains relatively flat over the medium-term.

## 1.4 Operating Revenue Framework

For Umzimkhulu Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 7` 0 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods

and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 4 Summary revenue classified by main source

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Revenue By Source											
Property rates	2	7 438	4 006	5 905	8 500	8 500	8 500	8 500	8 500	9 002	9 497
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	652	1 148	1 337	800	800	800	800	800	847	894
Service charges - other											
Rental of facilities and equipment		492	593	878	650	1 060	1 060	1 060	1 060	1 123	1 184
Interest earned - external investments		795	2 667	2 296	1 300	2 000	2 000	2 000	2 000	2 118	2 234
Interest earned - outstanding debtors		425	543	408	300	250	250	250	250	265	279
Dividends received											
Fines		268	429	557	450	600	600	600	600	635	670
Licences and permits		221	211	250	250	250	250	250	250	265	279
Agency services											
Transfers recognised - operational		61 929	79 352	90 710	103 059	103 432	103 432	103 432	123 111	155 613	158 825
Other revenue	2	11 091	830	1 394	14 885	15 489	15 489	15 489	1 565	1 658	1 749
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		83 312	89 779	103 734	130 194	132 381	132 381	132 381	138 136	171 525	175 611

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than 7% of the total revenue mix. In the 2013/14 financial year, revenue from rates and services charges totalled R9.8million. This will remain at R9.8 million even in 2014/15 financial year, R9.9 million and R9.95 million in the respective financial years of the MTREF.

Property rates 6 per cent or R8.5 million rand and increases to R9.4 million by 2014/15. The second least sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees.



Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R103 million in the 2013/14 financial year and steadily increases to R121 million by 2014/15. Note that the year-on-year growth for the 2013/14 financial year is 11.6 per cent and then flattens out to 15 and 22.5 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term

Table 4 Operating Transfers and grant receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		61 401	77 228	90 525	102 206	102 206	102 206	122 430	154 893	157 848
Local Government Equitable Share		59 411	74 978	85 299	96 838	96 838	96 838	116 142	150 282	152 963
Finance Management		1 200	1 450	1 500	1 650	1 650	1 650	1 800	1 950	2 100
Municipal Systems Improvement		790	800	800	890	890	890	934	967	1 018
EPWP Incentive				1 000	1 000	1 000	1 000	1 913	-	-
MIG Admin Cost 4% of R41 033 000				1 926	1 828	1 828	1 828	1 641	1 694	1 767
Provincial Government:		-	302	359	853	853	853	681	720	977
Art & Culture -Community Library Services			302	359	139	139	139	146	153	380
Art & Culture -Provincial Libraries					514	514	514	535	567	597
Community Participation in IDP					200	200	200			
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	61 401	77 530	90 884	103 059	103 059	103 059	123 111	155 613	158 825
<b>Capital Transfers and Grants</b>										
National Government:		-	66 258	71 497	83 879	70 610	70 610	70 396	55 667	57 397
Municipal Infrastructure Grant (MIG)			39 688	48 144	43 879	43 879	43 879	39 392	40 667	42 397
Neighbourhood Development Partnership			16 570	13 353	21 000	11 731	11 731	16 000	-	-
Rural Households Infrastructure					4 000	-	-			
Integrated National Electrification Programme			10 000	10 000	15 000	15 000	15 000	15 004	15 000	15 000
Provincial Government:		-	4 350	8 870	11 700	11 700	11 700	-	-	-
Small Town Rehabilitation Grant			4 350	8 870	11 700	11 700	11 700	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Capital Transfers and Grants</b>	5	-	70 608	80 367	95 579	82 310	82 310	70 396	55 667	57 397
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		61 401	148 138	171 251	198 638	185 369	185 369	193 507	211 280	216 222

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

#### **1.4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R35 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- 100 per cent rebate is also granted on the places of worship (churches).
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 25 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:

- The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/15 financial year - from 1 July 2014 is contained below:

**Table 1 Comparison of proposed rates to be levied for the 2014/15 financial year**

Category	Current Tariff (1 July 2013)	Effective tariff (from 1 July 2014)
	<b>C</b>	<b>C</b>
Residential properties	0.0085	0.0085
Vacant Residential	0.017	0.017
Commercial	0.013	0.013
Vacant Commercial	0.022	0.022
Rural Commercial	0.009	0.009
Industrial	0.013	0.013
Vacant Industrial	0.022	0.022
State owned properties	0.0085	0.0085
State trust land	0.0085	0.0085
Protected areas	0.0085	0.0085
Agricultural	0.002	0.002
Farms	0.013	0.013
Public Service Infrastructure	0.002	0.002
Place of worship	0	0
Other	0.0085	0.0085

#### **1.4.2 Waste Removal and Impact of Tariff Increases**

Based on the activity plan that the municipality has done it was evident that the municipality is providing its services to the community at a profit, which serves as a surety that the municipality

will be able to continuously meet its mandate to provide service delivery to UMzimkhulu Community.

A 5 per cent increase in the waste removal tariff was adopted in the 2013/14 financial year.

Higher increases will not be viable in 2014/15 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 5 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current (2013/2014) and New Tariffs payable from 1 July 2014:

Category	Current Tariff (1 July 2013)	Effective tariff (from 1 July 2014)
<b>REFUSE</b>	<b>C</b>	<b>C</b>
Domestic	R86.56	R91.29
Business (small & medium)	R158.29	R166.94
Large Institution/Business	R1 310.87	R1 382.57

## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level of the 2014/15 budget MTREF (Classified per main type of operating expenditure).

**Table 8 Summary of operating expenditure by standard classification item**

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Expenditure By Type</b>											
Employee related costs	2	22 378	27 343	32 555	37 664	37 942	37 942	37 942	44 320	47 157	50 175
Remuneration of councillors		8 464	10 578	11 905	12 622	13 381	13 381	13 381	13 185	13 844	14 536
Debt impairment	3										
Depreciation & asset impair	2	213	4 817	31 949	8 214	13 575	13 575	13 575	14 750	15 620	16 479
Finance charges											
Bulk purchases	2	–	–	–	–	–	–	–	–	–	–
Other materials	8										
Contracted services		5 871	7 814	8 862	7 675	8 674	8 674	8 674	7 420	7 858	8 290
Transfers and grants		8 067	569	513	2 061	1 266	1 266	1 266	1 540	1 631	1 721
Other expenditure	4, 5	62 256	87 084	43 203	49 898	54 048	54 048	54 048	65 292	69 144	72 947
Loss on disposal of PPE				1 098							
<b>Total Expenditure</b>		<b>107 248</b>	<b>138 205</b>	<b>130 083</b>	<b>118 134</b>	<b>128 886</b>	<b>128 886</b>	<b>128 886</b>	<b>146 507</b>	<b>155 254</b>	<b>164 148</b>

The budgeted allocation for employee related costs for the 2014/15 financial year totals R57 million, which equals 38 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.8 per cent for the 2014/15 financial year. An annual increase of 5.4 per cent has been included in the two outer years of the MTREF. Expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the UMzimkhulu municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R14 million for the 2014/15 financial and equates to 10 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

A contracted service has been identified as a cost saving area for the Municipality. As part of the compilation of the 2013/14 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2013/14 financial year, this group of expenditure totals R7.4 million, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 5.9 and 5.5 per cent. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2014/15 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5.6 per cent for 2014/15 and curbed at 5.9 and 5.5 per cent for the two outer years, indicating that significant cost savings have been already realised.

The following table gives a breakdown of the main expenditure categories for the 2014/15 financial year. Priority given to repairs and maintenance

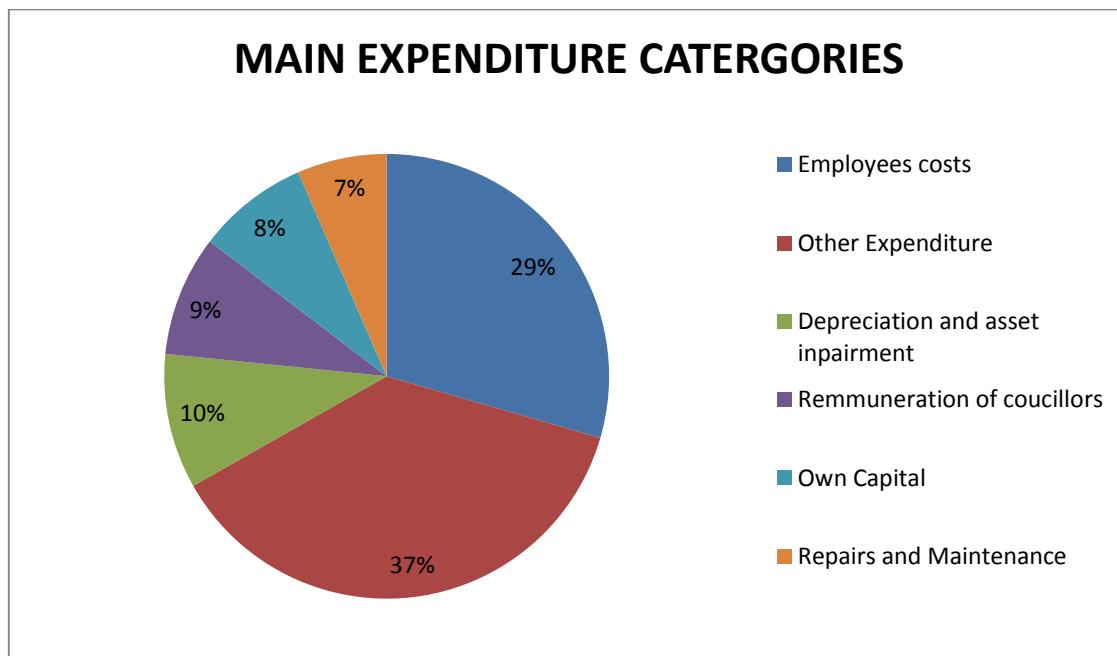
It should be noted that uMzimkhulu Municipality has opted on purchasing its own Plant Machineries in its plan of eradicating the back log on maintenance. The municipality will have employed 8 truck drivers that are operating these Plant Machineries, is about to purchase 3 more Machines that will also need additional employees.

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 2 Repairs and maintenance per asset class**

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		2 609	2 445	–	3 833	3 510	3 510	5 200	8 472	8 938
Infrastructure - Road transport		2 609	2 445	–	3 833	3 210	3 210	4 000	4 236	4 469
Roads, Pavements & Bridges		2 609	2 445		3 833	2 980	2 980	4 000	4 236	4 469
Storm water						230	230			
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Street Lighting										
Infrastructure - Other		–	–	–	–	300	300	1 200	4 236	4 469
Waste Management										
Other	3					300	300	1 200	4 236	4 469
<b>Community</b>		1 588	650	–	3 072	2 309	2 309	2 100	12 708	13 407
Parks & gardens										
Sportsfields & stadia			252		500	644	644	700	4 236	4 469
Swimming pools						–	–			
Community halls		967	398		650	300	300	1 000	4 236	4 469
Other		621			1 922	1 365	1 365	400	4 236	4 469
<b>Heritage assets</b>		194	1 228	–	500	500	500	–	–	–
Buildings		194	1 228		500	500	500			
Other	9									
<b>Other assets</b>		222	348	–	473	980	980	2 488	8 671	9 148
General vehicles		219	116		220	270	270	600		
Specialised	10	–	–	–	–	–	–	–	–	–
Plant & equipment								1 000	4 236	4 469
Computers - hardware/equipment										
Furniture and other office equipment		3	232		253	210	210	188	199	210
Other Buildings						500	500	700	4 236	4 469
<b>Total Repairs</b>	<b>1</b>	<b>4 613</b>	<b>4 671</b>	<b>–</b>	<b>7 878</b>	<b>7 299</b>	<b>7 299</b>	<b>9 788</b>	<b>29 851</b>	<b>31 493</b>
<b>R&amp;M as a % of PPE</b>		<b>1.8%</b>	<b>1.6%</b>	<b>0.0%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>3.6%</b>	<b>10.4%</b>	<b>10.4%</b>
<b>R&amp;M as % Operating Expenditure</b>		<b>4.3%</b>	<b>3.4%</b>	<b>0.0%</b>	<b>6.7%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>6.7%</b>	<b>19.2%</b>	<b>19.2%</b>



### 1.5.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 720 or more indigent households during the 2014/15 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance.

The table above provides a breakdown of the repairs and maintenance in relation to asset class:

For the 2014/15 financial year, 97 per cent of total repairs and maintenance will be spent on infrastructure assets.



## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

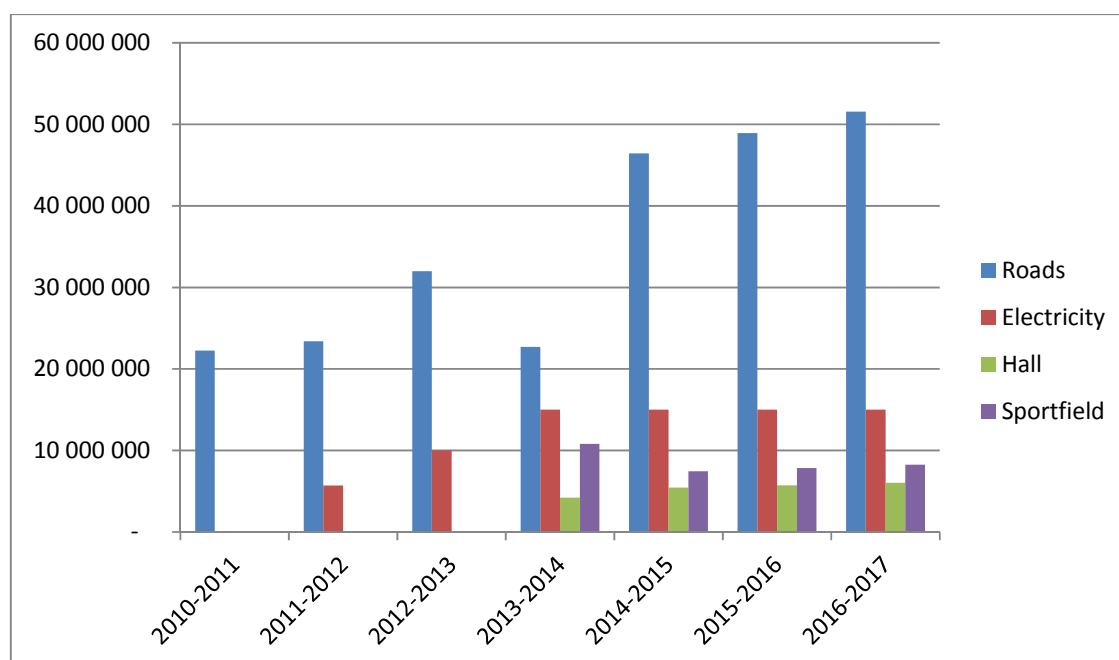
**Table 3 2014/15 Medium-term capital budget per vote**

Vote Description R thousand	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Electricity	15,000	15%	15,000	18%	15,000	22%	15,000	21%
Roads (MIG)	43,879	43%	39,392	48%	40,667	59%	42,397	60%
Neighbourhood	13,800	13%	16,000	19%				
Other fixed Assets	18,059	18%	12,200	15%	12,859	19%	13,553	19%
Small Town Development	11,700	11%						
<b>Total Capital Expenditure</b>	<b>102,438</b>	<b>100%</b>	<b>82,592</b>	<b>100%</b>	<b>68,525</b>	<b>100%</b>	<b>70,951</b>	<b>100%</b>

For 2014/15 an amount of R39 million has been appropriated for the development of infrastructure which represents 48 per cent of the total capital budget. In the outer years this amount totals R40 million, 59 per cent and R42 million, 60 per cent for each of the financial years. Transport and roads receives the highest allocation of R39 million in 2014/15 which equates to 48 per cent, Neighbourhood, Roll Overs, Small Town Development and other fixed assets all together are followed by 19% and electricity infrastructure at 18 per cent, R15 million. And Other fixed assets with 15 per cent for 2014/15.

Total new assets represent 100 per cent or R82 million of the total capital budget. Further detail relating to asset classes and proposed capital expenditure is contained in Table 12 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to Schedules).

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



**Figure 1 Capital Infrastructure Programme**

### 1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 43 MBRR SA35. This table shows that future operational costs associated with the capital programme totals R86 million in 2014/15 and decrease to R61 million by 2016/17. This concomitant operational expenditure is expected to escalate to R3.8 million by 2016/17. It needs to be noted that as part of the 2014/15 MTREF, this expenditure has been factored into the two outer years of the operational budget.

## 1.7 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 4 MBRR Table A1 - Budget Summary**

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	7 438	4 006	5 905	8 500	8 500	8 500	8 500	8 500	9 002	9 497
Service charges	652	1 148	1 337	800	800	800	800	800	847	894
Investment revenue	795	2 667	2 296	1 300	2 000	2 000	2 000	2 000	2 118	2 234
Transfers recognised - operational	61 929	79 352	90 710	103 059	103 432	103 432	103 432	123 111	155 613	158 825
Other own revenue	12 497	2 606	3 487	16 535	17 649	17 649	17 649	3 725	3 945	4 162
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>83 312</b>	<b>89 779</b>	<b>103 734</b>	<b>130 194</b>	<b>132 381</b>	<b>132 381</b>	<b>132 381</b>	<b>138 136</b>	<b>171 525</b>	<b>175 611</b>
Employee costs	22 378	27 343	32 555	37 664	37 942	37 942	37 942	44 320	47 157	50 175
Remuneration of councillors	8 464	10 578	11 905	12 622	13 381	13 381	13 381	13 185	13 844	14 536
Depreciation & asset impairment	213	4 817	31 949	8 214	13 575	13 575	13 575	14 750	15 620	16 479
Finance charges	-	-	-	-	-	-	-	-	-	-
Materials and bulk purchases	-	-	-	-	-	-	-	-	-	-
Transfers and grants	8 067	569	513	2 061	1 266	1 266	1 266	1 540	1 631	1 721
Other expenditure	68 127	94 898	53 162	57 573	62 722	62 722	62 722	72 712	77 001	81 237
<b>Total Expenditure</b>	<b>107 248</b>	<b>138 205</b>	<b>130 083</b>	<b>118 134</b>	<b>128 886</b>	<b>128 886</b>	<b>128 886</b>	<b>146 507</b>	<b>155 254</b>	<b>164 148</b>
<b>Surplus/(Deficit)</b>	<b>(23 936)</b>	<b>(48 425)</b>	<b>(26 349)</b>	<b>12 060</b>	<b>3 495</b>	<b>3 495</b>	<b>3 495</b>	<b>(8 370)</b>	<b>16 271</b>	<b>11 464</b>
Transfers recognised - capital	37 488	69 456	92 677	95 579	82 310	82 310	82 310	70 396	55 667	57 397
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>13 552</b>	<b>21 031</b>	<b>66 327</b>	<b>107 639</b>	<b>85 805</b>	<b>85 805</b>	<b>85 805</b>	<b>62 025</b>	<b>71 938</b>	<b>68 861</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>13 552</b>	<b>21 031</b>	<b>66 327</b>	<b>107 639</b>	<b>85 805</b>	<b>85 805</b>	<b>85 805</b>	<b>62 025</b>	<b>71 938</b>	<b>68 861</b>
<b>Capital expenditure &amp; funds sources</b>										
Capital expenditure	38 636	73 565	96 937	107 639	102 438	102 438	102 438	82 596	55 667	57 397
Transfers recognised - capital	38 636	73 565	78 441	95 579	82 310	82 310	82 310	70 396	55 667	57 397
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	18 496	12 060	20 129	20 129	20 129	12 200	-	-
<b>Total sources of capital funds</b>	<b>38 636</b>	<b>73 565</b>	<b>96 937</b>	<b>107 639</b>	<b>102 438</b>	<b>102 438</b>	<b>102 438</b>	<b>82 596</b>	<b>55 667</b>	<b>57 397</b>
<b>Financial position</b>										
Total current assets	40 002	46 182	59 886	60 314	54 930	54 930	54 930	67 014	70 968	74 871
Total non current assets	265 729	294 335	396 858	307 660	307 660	307 660	307 660	301 001	318 760	336 292
Total current liabilities	11 903	14 660	23 105	7 558	10 056	10 056	10 056	7 590	8 038	8 480
Total non current liabilities	1 155	1 280	1 955	1 223	2 043	2 043	2 043	2 043	2 164	2 283
Community wealth/Equity	294 664	324 611	431 684	359 193	350 490	350 490	350 490	358 382	379 527	400 400
<b>Cash flows</b>										
Net cash from (used) operating	42 840	64 749	91 009	117 198	103 294	103 294	103 294	96 845	108 915	108 227
Net cash from (used) investing	(38 905)	(59 345)	(86 349)	(107 639)	(102 438)	(102 438)	(102 438)	(82 596)	(55 667)	(57 397)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>32 486</b>	<b>37 891</b>	<b>42 550</b>	<b>52 405</b>	<b>43 406</b>	<b>43 406</b>	<b>43 406</b>	<b>57 655</b>	<b>110 904</b>	<b>161 734</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	32 970	37 891	42 550	52 405	43 406	43 406	43 406	57 655	61 057	64 415
Application of cash and investments	8 676	5 214	5 746	(464)	(1 158)	(1 158)	(1 158)	(11 250)	(11 914)	(12 569)
<b>Balance - surplus (shortfall)</b>	<b>24 294</b>	<b>32 677</b>	<b>36 804</b>	<b>52 869</b>	<b>44 564</b>	<b>44 564</b>	<b>44 564</b>	<b>68 905</b>	<b>72 970</b>	<b>76 984</b>
<b>Asset management</b>										
Asset register summary (WDV)	4 692	294 335	29 155	4 638	4 638	4 638	29 034	29 034	30 747	32 438
Depreciation & asset impairment	213	4 817	31 949	8 214	13 575	13 575	14 750	14 750	15 620	16 479
Renewal of Existing Assets	-	-	-	1 500	1 500	1 500	1 500	-	-	-
Repairs and Maintenance	4 613	4 671	-	7 878	7 299	7 299	9 788	9 788	29 851	31 493
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	3	3	3	3	3	3	3	3	3	3
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	0	0	0	0	0	0	0

**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2015/16, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

**Table 5 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

KZN435 Umzimkhulu - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		71 024	63 691	53 521	73 222	73 884	73 884	72 585	76 868	81 096
Executive and council		3	14 330	17 298	19 416	19 621	19 621	21 327	22 585	23 827
Budget and treasury office		70 541	42 072	23 410	39 900	40 325	40 325	31 874	33 755	35 611
Corporate services		480	7 288	12 812	13 906	13 938	13 938	19 385	20 528	21 657
<i>Community and public safety</i>		1 172	9 554	13 502	15 169	15 772	15 772	17 898	18 954	19 996
Community and social services		1 172	9 554	13 502	15 169	15 772	15 772	17 898	18 954	19 996
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		38 036	85 982	128 051	41 003	41 925	41 925	46 853	49 574	52 279
Planning and development		235	21 534	6 967	7 931	7 966	7 966	11 753	12 446	13 131
Road transport		37 801	64 449	121 084	33 072	33 958	33 958	35 100	37 127	39 148
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	1 337	800	800	800	800	847	894
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	1 337	800	800	800	800	847	894
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	110 232	159 227	196 410	130 194	132 381	132 381	138 136	146 243	154 265
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		48 263	57 372	60 350	62 479	71 032	71 032	79 370	84 052	88 675
Executive and council		21 362	19 559	26 922	25 342	25 948	25 948	27 855	29 498	31 121
Budget and treasury office		17 046	22 300	16 330	19 673	25 636	25 636	24 923	26 393	27 845
Corporate services		9 855	15 514	17 098	17 465	19 448	19 448	26 592	28 161	29 710
<i>Community and public safety</i>		10 263	16 951	17 727	15 245	15 849	15 849	22 071	23 374	24 659
Community and social services		10 263	16 951	17 727	15 245	15 849	15 849	22 071	23 374	24 659
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		42 851	56 068	52 006	39 640	41 235	41 235	56 496	59 829	63 120
Planning and development		7 139	6 253	6 690	10 855	8 840	8 840	12 774	13 528	14 272
Road transport		35 713	49 815	45 316	28 785	32 394	32 394	43 722	46 301	48 848
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	770	770	770	770	815	860
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	770	770	770	770	815	860
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	101 377	130 391	130 083	118 134	128 886	128 886	158 707	168 071	177 314
<b>Surplus/(Deficit) for the year</b>		8 854	28 836	66 327	12 060	3 495	3 495	(20 570)	(21 828)	(23 049)

### Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 7 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

**Table 6 MBRR Table A3- Budgeted Financial Performance (Revenue and expenditure by vote)**

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue by Vote</b>	1									
Vote 1 - EXECUTIVE&COUNCIL		3	14 330	17 298	19 416	19 621	19 621	21 327	22 585	23 827
Vote 2 - BUDGET & TREASURY OFFICE		70 541	42 072	23 410	39 900	40 325	40 325	31 874	33 755	35 611
Vote 3 - CORPORATE SERVICES		480	7 288	12 812	13 906	13 938	13 938	19 385	20 528	21 657
Vote 4 - COMMUNITY & SOCIAL SERVICES		1 172	9 554	14 839	15 969	16 572	16 572	18 698	19 801	20 890
Vote 5 - STRATEGIC PLANNING		235	21 534	6 967	11 931	7 966	7 966	11 753	12 446	13 131
Vote 6 - INFRASTRUCTURE		37 801	64 449	121 084	124 651	118 337	118 337	105 496	108 794	96 546
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	110 232	159 227	196 410	225 773	216 759	216 759	208 532	217 909	211 663
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - EXECUTIVE&COUNCIL		21 362	19 559	26 922	25 342	25 948	25 948	27 855	29 498	31 121
Vote 2 - BUDGET & TREASURY OFFICE		17 046	22 300	16 330	19 673	25 636	25 636	24 923	26 393	27 845
Vote 3 - CORPORATE SERVICES		9 855	15 514	17 098	17 465	19 448	19 448	26 592	28 161	29 710
Vote 4 - COMMUNITY & SOCIAL SERVICES		10 263	16 951	17 727	15 245	15 849	15 849	22 071	23 374	24 659
Vote 5 - STRATEGIC PLANNING		7 139	6 253	6 690	10 855	8 840	8 840	12 774	13 528	14 272
Vote 6 - INFRASTRUCTURE		35 713	49 815	45 316	29 555	33 164	33 164	44 492	47 117	49 708
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	101 377	130 391	130 083	118 134	128 886	128 886	158 707	168 071	177 314
Surplus/(Deficit) for the year	2	8 854	28 836	66 327	107 639	87 874	87 874	49 825	49 839	34 348

### Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating

performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit

**Table 6 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

KZN435 Umzimkhulu - Table A7 Budgeted Cash Flows

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		9 448	8 841	10 742	26 205	26 019	26 019	26 019	26 095	27 635	29 155
Government - operating	1	61 929	79 352	100 231	103 059	103 091	103 091	103 091	123 111	155 613	158 825
Government - capital	1	37 448	69 456	83 155	95 579	82 310	82 310	82 310	70 396	55 667	57 397
Interest		795	2 667	2 296	1 300	2 000	2 000	2 000	2 000	2 118	2 234
Dividends											
Payments											
Suppliers and employees		(66 730)	(95 443)	(105 107)	(107 789)	(109 585)	(109 585)	(109 585)	(124 217)	(131 546)	(138 781)
Finance charges		(50)	(124)	(309)	(70)	-	-	-	-	-	-
Transfers and Grants	1				(1 086)	(540)	(540)	(540)	(540)	(572)	(603)
NET CASH FROM/(USED) OPERATING ACTIVITIES		42 840	64 749	91 009	117 198	103 294	103 294	103 294	96 845	108 915	108 227
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	21	19							
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets		(38 905)	(59 366)	(86 369)	(107 639)	(102 438)	(102 438)	(102 438)	(82 596)	(55 667)	(57 397)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(38 905)	(59 345)	(86 349)	(107 639)	(102 438)	(102 438)	(102 438)	(82 596)	(55 667)	(57 397)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing											
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		3 935	5 404	4 659	9 559	856	856	856	14 250	53 249	50 830
Cash/cash equivalents at the year begin:	2	28 551	32 486	37 891	42 846	42 550	42 550	42 550	43 406	57 655	110 904
Cash/cash equivalents at the year end:	2	32 486	37 891	42 550	52 405	43 406	43 406	43 406	57 655	110 904	161 734

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R138 million in 2014/15 and escalates to R174 million by 2016/17. This represents a year-on-year increase of 5.9 per cent for the 2015/16 financial year and 5.5 per cent for the 2016/15 financial year.
2. Revenue to be generated from property rates is R8.5 million in the 2014/15 financial year and increases to R5.4 million by 2015/16 which represents 5.4 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff 0 per cent and 0 per cent for the two financial years of the MTREF.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 12 per cent and for the outer years its 15 and 23 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
4. The following graph illustrates the major expenditure items per type.



**Table 7 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

KZN435 Umzimkhulu - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding											
Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Capital expenditure - Vote</b>											
<b>Single-year expenditure to be approved</b>	2										
Vote 1 - EXECUTIVE&COUNCIL		450	605	87	1 900	1 900	1 900	1 900	200	-	-
Vote 2 - BUDGET & TREASURY OFFICE		273	379	73	100	100	100	100	100	-	-
Vote 3 - CORPORATE SERVICES		416	483	1 175	1 060	110	110	110	4 000	-	-
Vote 4 - COMMUNITY & SOCIAL SERVICE		130	192	73	2 100	2 450	2 450	2 450	1 500	-	-
Vote 5 - STRATEGIC PLANNING		250	301	58	4 400	400	400	400	400	-	-
Vote 6 - INFRASTRUCTURE		37 116	71 605	95 471	98 079	97 478	97 478	97 478	76 396	55 667	57 397
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		38 636	73 565	96 937	107 639	102 438	102 438	102 438	82 596	55 667	57 397
Total Capital Expenditure - Vote		38 636	73 565	96 937	107 639	102 438	102 438	102 438	82 596	55 667	57 397
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		1 139	1 466	1 335	3 060	2 110	2 110	2 110	4 300	-	-
Executive and council		450	605	87	1 900	1 900	1 900	1 900	200		
Budget and treasury office		273	379	73	100	100	100	100	100		
Corporate services		416	483	1 175	1 060	110	110	110	4 000		
<i>Community and public safety</i>		130	192	73	2 100	2 450	2 450	2 450	1 500	-	-
Community and social services		130	192	73	2 100	2 450	2 450	2 450	1 500		
Sport and recreation											
<i>Economic and environmental services</i>		37 366	71 906	95 528	102 479	97 878	97 878	97 878	76 796	55 667	57 397
Planning and development		250	301	58	4 400	400	400	400	400		
Road transport		37 116	71 605	95 471	98 079	97 478	97 478	97 478	76 396	55 667	57 397
Environmental protection											
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-
Electricity											
Total Capital Expenditure - Standard	3	38 636	73 565	96 937	107 639	102 438	102 438	102 438	82 596	55 667	57 397
<b>Funded by:</b>											
National Government		38 636	72 565	69 571	83 879	70 610	70 610	70 610	70 396	55 667	57 397
Provincial Government			1 000	8 870	11 700	11 700	11 700	11 700	-	-	-
Other transfers and grants											
Transfers recognised - capital	4	38 636	73 565	78 441	95 579	82 310	82 310	82 310	70 396	55 667	57 397
Internally generated funds				18 496	12 060	20 129	20 129	20 129	12 200	-	-
Total Capital Funding	7	38 636	73 565	96 937	107 639	102 438	102 438	102 438	82 596	55 667	57 397

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R82 million for the 2014/15 financial year and remains relatively constant over the MTREF at levels of R68 million and R70 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment.

The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

5. The capital programme is funded from capital and provincial grants and internally generated funds from current year surpluses. For 2014/15, capital transfers totals R70 million and escalates to R55 and R57 million by 2015/16 and 2016/17.

**Table 8 MBRR Table A6 - Budgeted Financial Position**

KZN435 Umzimkhulu - Table A6 Budgeted Financial Position											
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
<b>ASSETS</b>											
Current assets											
Cash			2 503	5 329	2 506	2 210	2 210	2 210	16 460	17 431	18 389
Call investment deposits	1	32 970	35 388	37 221	49 899	41 196	41 196	41 196	41 196	43 626	46 026
Consumer debtors	1	7 033	5 316	4 174	5 050	8 665	8 665	8 665	6 500	6 884	7 262
Other debtors			2 975	13 162	2 859	2 859	2 859	2 859	2 859	3 027	3 194
<b>Total current assets</b>		<b>40 002</b>	<b>46 182</b>	<b>59 886</b>	<b>60 314</b>	<b>54 930</b>	<b>54 930</b>	<b>54 930</b>	<b>67 014</b>	<b>70 968</b>	<b>74 871</b>
Non current assets											
Investment property		4 497	4 467	28 884	4 511	4 511	4 511	4 511	28 884	30 589	32 271
Property , plant and equipment	3	261 037	289 749	364 755	269 967	269 967	269 967	269 967	269 967	285 895	301 619
Intangible		195	120	271	127	127	127	127	150	159	168
Other non-current assets				2 948	33 055	33 055	33 055	33 055	2 000	2 118	2 234
<b>Total non current assets</b>		<b>265 729</b>	<b>294 335</b>	<b>396 858</b>	<b>307 660</b>	<b>307 660</b>	<b>307 660</b>	<b>307 660</b>	<b>301 001</b>	<b>318 760</b>	<b>336 292</b>
<b>TOTAL ASSETS</b>		<b>305 731</b>	<b>340 517</b>	<b>456 744</b>	<b>367 974</b>	<b>362 590</b>	<b>362 590</b>	<b>362 590</b>	<b>368 015</b>	<b>389 728</b>	<b>411 163</b>
<b>LIABILITIES</b>											
Current liabilities											
Trade and other payables	4	11 903	14 660	23 105	7 558	9 968	9 968	9 968	7 500	7 943	8 379
Provisions						88	88	88	90	95	101
<b>Total current liabilities</b>		<b>11 903</b>	<b>14 660</b>	<b>23 105</b>	<b>7 558</b>	<b>10 056</b>	<b>10 056</b>	<b>10 056</b>	<b>7 590</b>	<b>8 038</b>	<b>8 480</b>
Non current liabilities											
Provisions		1 155	1 280	1 955	1 223	2 043	2 043	2 043	2 043	2 164	2 283
<b>Total non current liabilities</b>		<b>1 155</b>	<b>1 280</b>	<b>1 955</b>	<b>1 223</b>	<b>2 043</b>	<b>2 043</b>	<b>2 043</b>	<b>2 043</b>	<b>2 164</b>	<b>2 283</b>
<b>TOTAL LIABILITIES</b>		<b>13 058</b>	<b>15 940</b>	<b>25 060</b>	<b>8 781</b>	<b>12 100</b>	<b>12 100</b>	<b>12 100</b>	<b>9 633</b>	<b>10 202</b>	<b>10 763</b>
<b>NET ASSETS</b>	5	<b>292 673</b>	<b>324 577</b>	<b>431 684</b>	<b>359 193</b>	<b>350 490</b>	<b>350 490</b>	<b>350 490</b>	<b>358 382</b>	<b>379 527</b>	<b>400 400</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		159 291	210 570	337 957	197 681	188 978	188 978	188 978	196 870	208 486	219 952
Reserves	4	135 373	114 042	93 727	161 512	161 512	161 512	161 512	161 512	171 041	180 448
Minorities' interests											
<b>TOTAL COMMUNITY WEALT</b>	5	<b>294 664</b>	<b>324 611</b>	<b>431 684</b>	<b>359 193</b>	<b>350 490</b>	<b>350 490</b>	<b>350 490</b>	<b>358 382</b>	<b>379 527</b>	<b>400 400</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 48 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 9 MBRR Table A7 – Budgeted Cash Flow Statement**

KZN435 Umzimkhulu - Table A7 Budgeted Cash Flows											
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Ratepayers and other		9 448	8 841	10 742	26 205	26 019	26 019	26 019	26 095	27 635	29 155
Government - operating	1	61 929	79 352	100 231	103 059	103 091	103 091	103 091	123 111	155 613	158 825
Government - capital	1	37 448	69 456	83 155	95 579	82 310	82 310	82 310	70 396	55 667	57 397
Interest		795	2 667	2 296	1 300	2 000	2 000	2 000	2 000	2 118	2 234
Dividends											
Payments											
Suppliers and employees		(66 730)	(95 443)	(105 107)	(107 789)	(109 585)	(109 585)	(109 585)	(124 217)	(131 546)	(138 781)
Finance charges		(50)	(124)	(309)	(70)	-	-	-	-	-	-
Transfers and Grants	1				(1 086)	(540)	(540)	(540)	(540)	(572)	(603)
<b>NET CASH FROM/(USED) OPERATING AC</b>		<b>42 840</b>	<b>64 749</b>	<b>91 009</b>	<b>117 198</b>	<b>103 294</b>	<b>103 294</b>	<b>103 294</b>	<b>96 845</b>	<b>108 915</b>	<b>108 227</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE		-	21	19							
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets		(38 905)	(59 366)	(86 369)	(107 639)	(102 438)	(102 438)	(102 438)	(82 596)	(55 667)	(57 397)
<b>NET CASH FROM/(USED) INVESTING AC</b>		<b>(38 905)</b>	<b>(59 345)</b>	<b>(86 349)</b>	<b>(107 639)</b>	<b>(102 438)</b>	<b>(102 438)</b>	<b>(102 438)</b>	<b>(82 596)</b>	<b>(55 667)</b>	<b>(57 397)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing											
<b>NET CASH FROM/(USED) FINANCING AC</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH H</b>		<b>3 935</b>	<b>5 404</b>	<b>4 659</b>	<b>9 559</b>	<b>856</b>	<b>856</b>	<b>856</b>	<b>14 250</b>	<b>53 249</b>	<b>50 830</b>
Cash/cash equivalents at the year be	2	28 551	32 486	37 891	42 846	42 550	42 550	42 550	43 406	57 655	110 904
Cash/cash equivalents at the year en	2	32 486	37 891	42 550	52 405	43 406	43 406	43 406	57 655	110 904	161 734

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

**Table 10 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

KZN435 Umzimkhulu - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		R thousand									
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	32 486	37 891	42 550	52 405	43 406	43 406	43 406	57 655	110 904	161 734
Other current investments > 90 days		483	0	0	(0)	0	0	0	-	(49 847)	(97 319)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		32 970	37 891	42 550	52 405	43 406	43 406	43 406	57 655	61 057	64 415
<b>Application of cash and investments</b>											
Unspent conditional transfers		6 520	6 705	10 857	-	2 410	2 410	2 410	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	2 156	(1 490)	(5 111)	(464)	(3 568)	(3 568)	(3 568)	(11 250)	(11 914)	(12 569)
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		8 676	5 214	5 746	(464)	(1 158)	(1 158)	(1 158)	(11 250)	(11 914)	(12 569)
Surplus(shortfall)		24 294	32 677	36 804	52 869	44 564	44 564	44 564	68 905	72 970	76 984

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

Table 11 MBRR Table A9 - Asset Management

KZN435 Umzimkhulu - Table A9 Asset Management										
Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>CAPITAL EXPENDITURE</b>										
<u>Total New Assets</u>	1	37 116	49 688	96 898	107 639	15 000	15 000	37 540	15 000	15 000
Infrastructure - Road transport		31 348	39 688	65 464	55 068	–	–	10 336	–	–
Infrastructure - Electricity		5 768	10 000	11 732	15 000	15 000	15 000	15 004	15 000	15 000
Infrastructure - Other		–	–	–	4 000	–	–	–	–	–
Infrastructure		37 116	49 688	77 195	74 068	15 000	15 000	25 340	15 000	15 000
Community		–	–	17 158	19 511	–	–	12 200	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	2 545	14 060	–	–	–	–	–
<u>Total Renewal of Existing Asset</u>	2	–	–	–	1 500	1 500	1 500	–	–	–
Infrastructure - Road transport		–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	–	–	–
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	1 500	1 500	1 500	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
<u>Total Capital Expenditure</u>	4									
Infrastructure - Road transport		31 348	39 688	65 464	55 068	–	–	10 336	–	–
Infrastructure - Electricity		5 768	10 000	11 732	15 000	15 000	15 000	15 004	15 000	15 000
Infrastructure - Other		–	–	–	4 000	–	–	–	–	–
Infrastructure		37 116	49 688	77 195	74 068	15 000	15 000	25 340	15 000	15 000
Community		–	–	17 158	19 511	–	–	12 200	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		–	–	2 545	15 560	1 500	1 500	–	–	–
<b>TOTAL CAPITAL EXPENDITURE -</b>	<b>2</b>	<b>37 116</b>	<b>49 688</b>	<b>96 898</b>	<b>109 139</b>	<b>16 500</b>	<b>16 500</b>	<b>37 540</b>	<b>15 000</b>	<b>15 000</b>
<b>ASSET REGISTER SUMMARY - PP</b>										
Infrastructure - Road transport	5		143 521							
Infrastructure - Other			51 017							
Infrastructure		–	194 538	–	–	–	–	–	–	–
Community			18 480							
Heritage assets			2 948							
Investment properties		4 497	4 467	28 884	4 511	4 511	4 511	28 884	30 589	32 271
Other assets			73 783							
Intangibles		195	120	271	127	127	127	150	159	168
<b>TOTAL ASSET REGISTER SUMMA</b>	<b>5</b>	<b>4 692</b>	<b>294 335</b>	<b>29 155</b>	<b>4 638</b>	<b>4 638</b>	<b>4 638</b>	<b>29 034</b>	<b>30 747</b>	<b>32 438</b>

EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		213	4 817	31 949	8 214	13 575	13 575	14 750	15 620	16 479
Repairs and Maintenance by Asset Class	3	4 613	4 671	–	7 878	7 299	7 299	9 788	29 851	31 493
Infrastructure - Road transport		2 609	2 445	–	3 833	3 210	3 210	4 000	4 236	4 469
Infrastructure - Other		–	–	–	–	300	300	1 200	4 236	4 469
Infrastructure		2 609	2 445	–	3 833	3 510	3 510	5 200	8 472	8 938
Community		1 588	650	–	3 072	2 309	2 309	2 100	12 708	13 407
Heritage assets		194	1 228	–	500	500	500	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	222	348	–	473	980	980	2 488	8 671	9 148
TOTAL EXPENDITURE OTHER ITEMS		4 826	9 488	31 949	16 093	20 874	20 874	24 538	45 471	47 972
Renewal of Existing Assets as % of total PPE		0.0%	0.0%	0.0%	1.4%	9.1%	9.1%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of depreciation		0.0%	0.0%	0.0%	18.3%	11.1%	11.1%	0.0%	0.0%	0.0%
R&M as a % of PPE		1.8%	1.6%	0.0%	2.9%	2.7%	2.7%	3.6%	10.4%	10.4%
Renewal and R&M as a % of PPE		98.0%	2.0%	0.0%	202.0%	190.0%	190.0%	34.0%	97.0%	97.0%

### Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.





KZN435 Umzimkhulu - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description		Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>											
<b>Infrastructure</b>			2 609	2 445	–	3 833	3 510	3 510	5 200	8 472	8 938
Infrastructure - Road transport			2 609	2 445	–	3 833	3 210	3 210	4 000	4 236	4 469
Roads, Pavements & Bridges			2 609	2 445		3 833	2 980	2 980	4 000	4 236	4 469
Storm water							230	230			
Infrastructure - Electricity			–	–	–	–	–	–	–	–	–
Generation											
Transmission & Reticulation											
Street Lighting											
Infrastructure - Water			–	–	–	–	–	–	–	–	–
Dams & Reservoirs											
Water purification											
Reticulation											
Infrastructure - Sanitation			–	–	–	–	–	–	–	–	–
Reticulation											
Sewerage purification											
Infrastructure - Other			–	–	–	–	300	300	1 200	4 236	4 469
Waste Management											
Transportation											
Gas											
Other							300	300	1 200	4 236	4 469
<b>Community</b>			1 588	650	–	3 072	2 309	2 309	2 100	12 708	13 407
Parks & gardens											
Sportsfields & stadia				252		500	644	644	700	4 236	4 469
Swimming pools							–	–			
Community halls			967	398		650	300	300	1 000	4 236	4 469
Libraries							–				
Recreational facilities							–				
Fire, safety & emergency							–				
Security and policing							–				
Buses							–				

Clinics	8					-				
Museums & Art Galleries						-				
Cemeteries						-				
Social rental housing						-				
Other		621			1 922	1 365	1 365	400	4 236	4 469
<u>Heritage assets</u>	9	194	1 228	-	500	500	500	-	-	-
Buildings		194	1 228		500	500	500			
Other										
<u>Investment properties</u>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<u>Other assets</u>	10	222	348	-	473	980	980	2 488	8 671	9 148
General vehicles		219	116		220	270	270	600		
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment								1 000	4 236	4 469
Computers - hardware/equipment										
Furniture and other office equipment		3	232		253	210	210	188	199	210
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings						500	500	700	4 236	4 469
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
<u>Agricultural assets</u>			-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<u>Biological assets</u>		-	-	-	-	-	-	-	-	
<i>List sub-class</i>										
<u>Intangibles</u>		-	-	-	-	-	-	-	-	
Computers - software & programming										
Other ( <i>list sub-class</i> )										
Total Repairs and Maintenance Expenditure	1	4 613	4 671	-	7 878	7 299	7 299	9 788	29 851	31 493

<u>Specialised vehicles</u>		-	-	-	-	-	-	-	-	-
Refuse										
Fire										
Conservancy										
Ambulances										
<i>R&amp;M as a % of PPE</i>		1.8%	1.6%	0.0%	2.9%	2.7%	2.7%	3.6%	10.4%	10.4%
<i>R&amp;M as % Operating Expenditure</i>		4.3%	3.4%	0.0%	6.7%	5.7%	5.7%	6.7%	19.2%	19.2%

### Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
- The Municipality continues to make good progress with the eradication of backlogs:
  - Refuse services – backlog will be reduced by 7 000 households in 2013/14, and a further 7 000 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.

3. The budget provides for 1000 households to be registered as indigent in 2013/14, and therefore entitled to receiving Free Basic Services
4. It is anticipated that these Free Basic Services will cost the municipality R300 000 in 2013/14, increasing to R333 275 by 2015/16. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also 'gives' households R300 000 in free services in 2013/14, and it increases to R333 275 in 2015/16. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 4 per cent of total operating revenue.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2013. Key dates applicable to the process were:

- **August 2013** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2014/15 MTREF;
- **November 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2014** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2014** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **27 January 2014**- Council considers the 2013/14 Mid-year Review and Adjustments Budget;
- **February 2014** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The Final 2014/15 MTREF is revised accordingly;

- **28 March 2014** - Tabling in Council of the draft 2014/15 IDP and 2014/15 MTREF for public consultation;
- **April 2014** – Public consultation;
- **7 May 2014** - Closing date for written comments;
- **7 to 22 May 2014** – finalisation of the 2014/15 IDP and 2014/15 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **27 May 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

This is the fourth review of the IDP as adopted by Council in May 2006. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 71 and 72 has been taken into consideration in the planning and prioritisation process.

#### **2.1.4 Community Consultation**

The draft 2014/15 MTREF as tabled before Council on 25 March 2014 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices and municipal notice boards.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process will be done in April 2014 that will be conducted and including five public briefing sessions, and the attendance will be recorded per meeting. This is up to the previous year's process. This can be attributed to the additional initiatives that will be launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions will be scheduled with organised business and imbizo's will be held to further ensure transparency and interaction. Other stakeholders involved in the consultation will be churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects will be addressed, and will be relevant considered as part of the finalisation of the 2014/15 MTREF. Feedback and responses to the submissions received are available on request.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction

to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2013/14 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 13 IDP Strategic Objectives**

2013/14 Financial Year	2014/15 MTREF
1. Ensure that financial management systems are structured to increase municipal revenue, Ensure alignment of municipal development with budgetary allocations	1. Ensure that financial management systems are structured to increase municipal revenue, Ensure alignment of municipal development with budgetary allocations

2. To develop an organisation organisational architecture, business process and policies which will enable the municipality to fulfil its constitutional mandate and achieve its vision and mission.	2. To develop an organisation organisational architecture, business process and policies which will enable the municipality to fulfil its constitutional mandate and achieve its vision and mission.
3. To address issue of the youth women, disabled and vulnerable sectors of society on integrated basis. To develop systems to facilitate co-operative governance and inter-governmental relations especially with the District, other spheres of government and services provided to maximize the development impact within UMzimkhulu Municipality.	3. To address issue of the youth women, disabled and vulnerable sectors of society on integrated basis. To develop systems to facilitate co-operative governance and inter-governmental relations especially with the District, other spheres of government and services provided to maximize the development impact within UMzimkhulu Municipality
4. To ensure that in line with National goals, all households have access to basic services.	4. To ensure that in line with National goals, all households have access to basic services.
5. To facilitate coherent development of all growth areas.	5. To facilitate coherent development of all growth areas

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide city planning services; and
  - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the Municipality;
  - Ensuring planning processes function in accordance with set timeframes;



- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective municipality cleansing;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 14 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	Go al	Goal Code	R e f	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
To build capacity and skill for the community,councillors and staff of Umzimkhulu Municipality to deepen democratic participation in decision making and all development processes and to facilitate horizontal and vertical communication with all stakeholders		200		3	14 330	17 298	19 416	19 621	19 621	21 327	22 585	23 827
To develop an organizational architecture, business processes and policies, which will enable the municipality to fulfill its constitutional and legislative mandates and achieve its vision and mission		300		480	7 288	12 812	13 906	13 938	13 938	19 385	20 528	21 657
To facilitate growth and development of the local economy in a way that generates opportunities for sustainable job creation, poverty reduction and improves BBBEE		300										
To address issues of youth, women, disabled and vulnerable sectors of society on an integrated basis		100										
To manage and promote informed integrated planning , development, and housing and local economic development that accelerates service delivery and ensures sustainable communities		700		235	21 534	6 967	11 931	7 966	7 966	11 753	12 446	13 131
To reduce the backlog in services such as waste removal and physical infrastructure such as roads as well as social infrastructure such as clinics, sports and recreation facilities, libraries and arts and culture		800		37 801	64 449	121 084	124 651	118 337	118 337	35 100	37 171	39 216
To ensure that the number of households eligible for free basic services is increased		100										
To manage and promote informed integrated planning , development, and housing and local economic development that accelerates service delivery and ensures sustainable communities		700										
To manage municipal financial resources in a way that will ensure financial sustainability		400		70 541	42 072	23 410	39 900	40 325	40 325	31 874	33 755	35 611

To develop systems to facilitate co-operative governance and inter-governmental relations especially with the district, other spheres of government and service providers to maximize the development impact within UMzimkhulu Local Municipality To mainstream and integrate issues of poverty, unemployment, environment and HIV/AIDS within the main development agenda of the municipality and to address them holistically viability and sustainability, and the alignment of the budget with the needs and priorities of the stakeholders		500		12 172	9 554	14 839	15 969	16 572	16 572	89 094	100 706	99 567
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	121 232	159 227	196 410	225 773	216 759	216 759	208 532	227 192	233 009

**Table 15 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Strategic Objective	Go al	Go al Co de	R ef	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcom e	Audite d Outco me	Audited Outco me	Origina l Budget	Adjuste d Budget	Full Year Foreca st	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
To build capacity and skills of the community, councilors and staff of UMzimkhulu Local Municipality to deepen democratic participation in decision making and all development processes and to facilitate horizontal and vertical communication with all stakeholders		200		21 362	19 559	26 922	25 342	25 948	25 948	27 655	29 286	30 897
To develop an organizational architecture, business processes and policies, which will enable the municipality to fulfill its constitutional and legislative mandates and achieve its vision and mission		300		9 855	15 514	17 098	17 465	19 448	19 448	22 592	23 925	25 241
To facilitate growth and development of the local economy in a way that generates opportunities for sustainable job creation, poverty reduction and improves BBBEE		300										
To address issues of youth, women, disabled and vulnerable sectors of society on an integrated basis		100										
To manage and promote informed integrated planning , development, and housing and local economic development that accelerates service delivery and ensures sustainable communities		700		7 139	6 253	6 690	10 855	8 840	8 840	12 374	13 104	13 825
To reduce the backlog in services such as waste removal and physical infrastructure such as roads as well as social infrastructure such as clinics, sports and recreation facilities, libraries and arts and culture		800		35 713	49 815	45 316	29 555	33 164	33 164	38 492	40 763	43 005
To ensure that the number of households eligible for free basic services is increased		100										
To manage and promote informed integrated planning , development, and housing and local economic development that accelerates service delivery and ensures sustainable communities		700										
To manage municipal financial resources in a way that will ensure financial sustainability		400		17 046	22 300	16 330	19 673	25 636	25 636	24 823	26 287	27 733
To develop systems to facilitate co-operative governance and inter-governmental relations especially with the district, other spheres of government and service providers to maximize the development impact within UMzimkhulu Local Municipality												
To mainstream and integrate issues of poverty, unemployment, environment and HIV/AIDS within the main development agenda of the municipality and to address them holistically viability and sustainability, and the alignment of the budget with the needs and priorities of the stakeholders		500		10 263	16 951	17 727	15 245	15 849	15 849	20 571	21 888	23 447

[illegible]

**Table 16 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
Infrastructure	Electricity	A					15 000	15 000	15 000	15 004	15 000	15 000
Infrastructure	Access Roads & Roads	B					55 068	49 441	49 441	20 473	20 333	21 198
Community Services	Sportsfield	C					7 721	11 227	11 227	6 321		
Community Services	Community Hall	D					5 438	3 552	3 552	20 847	20 334	21 199
Infrastructure	MIG Programme Manager	E					3 352	3 352	3 352			
	Other fixed Assets	F					16 060	12 060	12 060	12 200		
Infrastructure	Fencing Cemeteries	G					3 000	5 807	5 807	4 750		
Planning Management	Development of Landfill Site	I					2 000	2 000	2 000			
Planning	Development of SMME	I								3 000		
		J										
		K										
		L										

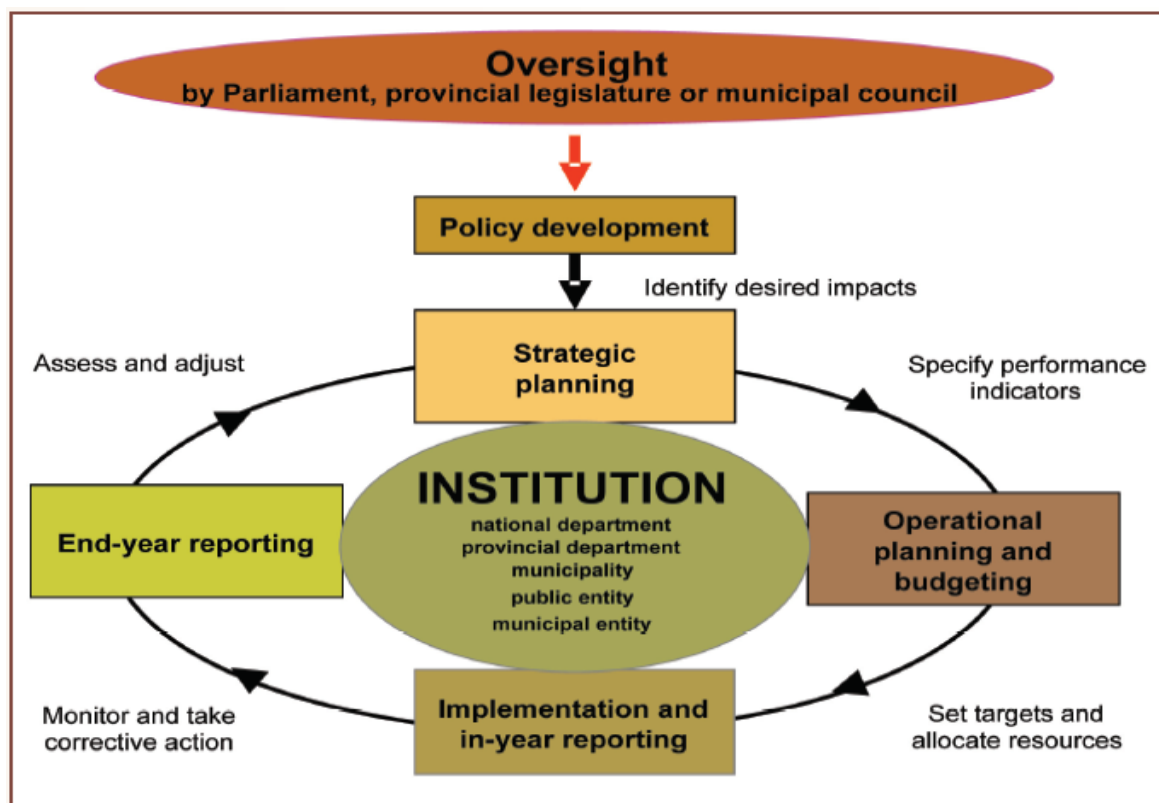
		M										
		N										
		O										
		P										
Allocations to other priorities			3									
Total Capital Expenditure			1	-	-	-	107 639	102 439	102 439	82 595	55 667	57 397

## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



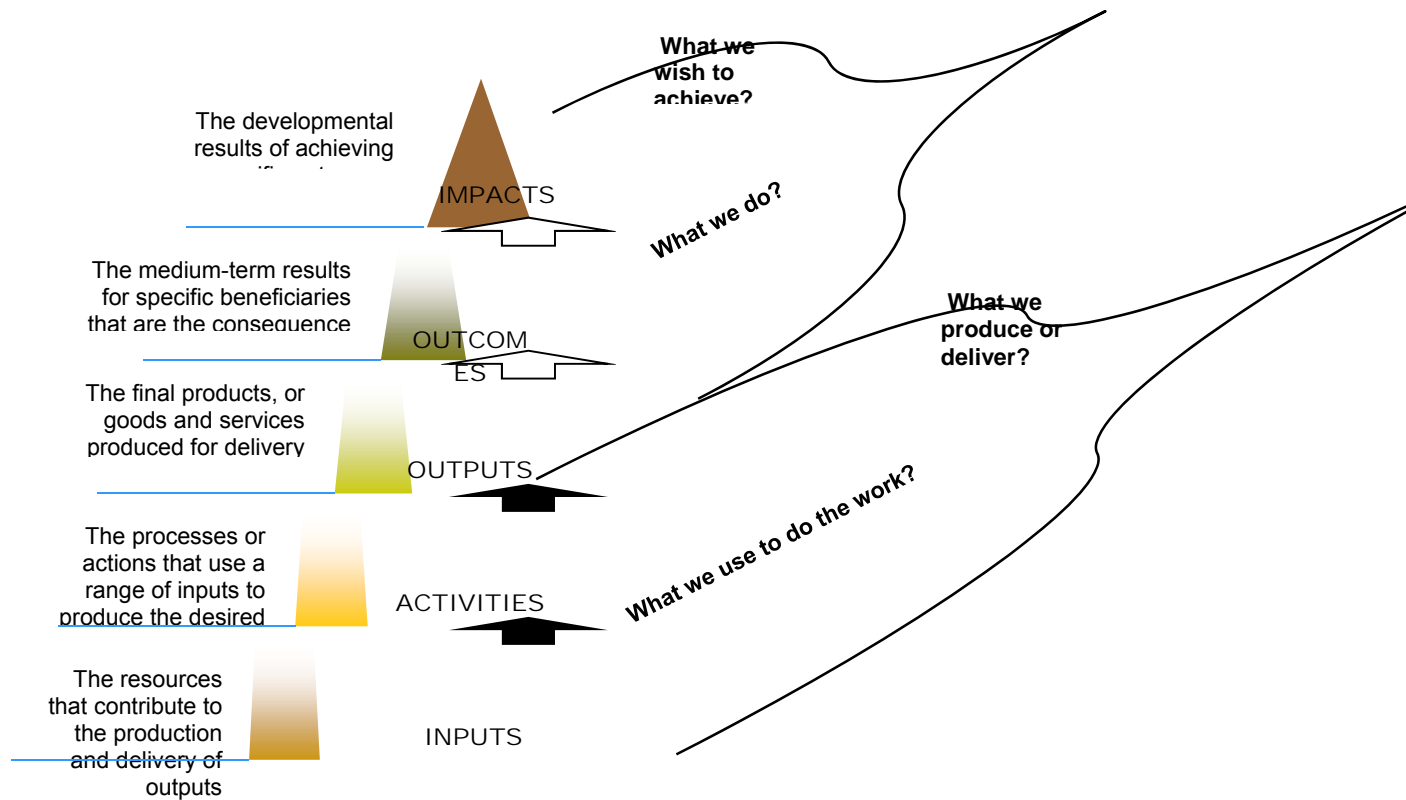


**Figure 3 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



**Figure 4 Definition of performance information concepts**

**Table 17 MBRR Table SA7 - Measurable performance objectives**

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Budget and Treasury Office</b>	Debt Coverage									
Revenue										
Billing and Collection										
To achieve increased revenue										
Billing and Collection	Cost Coverage			68.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
To achieve increased revenue										
Billing and Collection	Outstanding Service debtors			68.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
To achieve increased revenue										
Budgeting	% of Municipality's Capital budget actual spent on Capital Budget in terms of IDP  To ensure that goods and services that are procured by the Municipality are in accordance with authorised processes			97.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Budgeting										
Best Budgeting Practice to improve service delivery										
Supply Chain Management Acquisition and Demand										
To conform with the rules and regulations of National Treasury										
Disposal And Logistics										
To ensure that the services required to support the strategic and operational commitments are delivered at the correct time, at the right price, at the right location and that the quantity and the quality satisfy the needs	Meet turnaround time for quotation and delivery							100.0%	100.0%	100.0%
Coporate Services										
Human Resouce										
Human Resouce	% of Municipaity's budget spent on Workplace Skills Plan				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
To have well trained capacitated personnel										

[illegible]

**Table 18 MBRR Table SA8 - Performance indicators and benchmarks**[illegible]

	Total Cost of Losses (Rand '000) % Volume (units purchased and generated less units sold)/units purchased and generated										
	Total Volume Losses (kℓ)										
Water Distribution Losses (2)	Total Cost of Losses (Rand '000) % Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	26.9%	30.5%	31.4%	28.9%	28.7%	28.7%	28.7%	32.1%	27.5%	28.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	37.0%	42.2%	15.9%	37.9%	38.8%	38.8%		41.6%	35.6%	36.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.5%	5.2%	0.0%	6.1%	5.5%	5.5%		7.1%	17.4%	17.9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.3%	5.4%	30.8%	6.3%	10.3%	10.3%	10.3%	10.7%	9.1%	9.4%
<u>IDP regulation financial viability indicators</u>	–										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	8.0	4.5	10.0	13.6	13.6	13.6	14.5	7.1	7.1	7.5
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	81.9%	144.3%	213.5%	79.5%	111.2%	111.2%	111.2%	90.3%	90.3%	90.3%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	6.3	5.6	7.2	8.0	6.3	6.3	6.3	7.6	13.7	18.9

### 2.3.1 Performance indicators and benchmarks

#### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities,

- *A capital charge to operating expenditure is a measure of the cost of borrowing in relation to the operating expenditure.*

#### 2.3.1.2 Safety of Capital

- *The debt-to-equity ratio is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves.*
- *The gearing ratio is a measure of the total long term borrowings over funds and reserves.*

### 2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2013/14 MTREF the current ratio is 1.2 in the 2014/15 financial year and 1.1 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2013/14 financial year the ratio was 5.0 and as part of the financial planning strategy it has been increased to 10.2 in the 2013/14 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

### 2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

### 2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

### 2.3.1.6 Other Indicators

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2013/14 financial year 627 registered indigents have been provided for in the budget with this figured increasing to 650 by 2015/16. In terms of the Municipality's indigent policy registered households are free waste removal equivalent to 85ℓ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 13 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

## **2.4 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **2.4.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council in October 2008 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.



#### **2.4.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

#### **2.4.3 Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

#### **2.4.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in September 2007. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

#### **2.4.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council in June 2010.

#### **2.4.6 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was amended by Council in May 2013. The aim of the policy is to ensure that the Municipality's surplus cash and investments are

adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

#### **2.4.7 Tariff Policies**

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

#### **2.4.8 Financial Modelling and Scenario Planning Policy**

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2014/15 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2013/14 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

**NB:** All the above policies are available on the Municipality's website ([www.umzimkhululm.gov.za](http://www.umzimkhululm.gov.za)), as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

## 2.5 Overview of budget assumptions

### 2.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### 2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers; and
- The increase in the cost of remuneration. Employee related costs comprise 39 per cent of total operating expenditure in the 2014/15 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions for the period 01 July 2012 to 30 June 2015.

### 2.5.3 Credit rating outlook

**Table 19 Credit rating outlook**

Security class	Currency	Rating	Annual rating 2009/10	Previous Rating
Short term	Rand	Prime -1	20 April 2010	Prime -1
Long-term	Rand	Aa3	20 April 2010	Aa3
Outlook	Rand	Negative	20 April 2010	Negative

The rating definitions are:

- Short term : Prime – 1  
Short-Term Debt Ratings (maturities of less than one year)  
Prime-1 (highest quality)
- Long-term : Aa3  
Defined as high-grade. "Aa" rated are judged to be of high quality and are subject to very low credit risk.

### 2.5.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2014/15

MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2014/15 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

#### **2.5.5 Collection rate for revenue services**

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

#### **2.5.6 Growth or decline in tax base of the municipality**

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

#### **2.5.7 Salary increases**

The collective agreement regarding salaries/wages came into operation on 1 July 2012 and shall remain in force until 30 June 2015. Year three is an across the board increase of 5.4 per cent.

#### **2.5.8 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### 2.5.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 98 per cent is achieved on operating expenditure and 99 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

## 2.6 Overview of budget funding

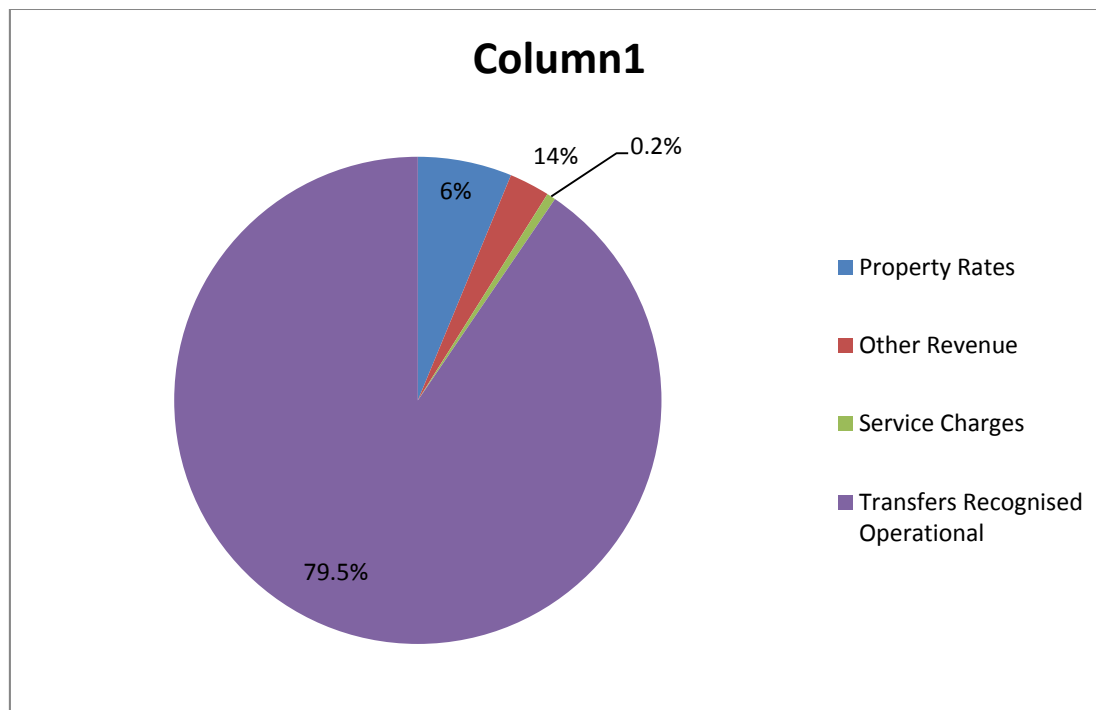
### 2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

**Table 20 Breakdown of the operating revenue over the medium-term**

Description (R thousands)	Budget year 2014/2015	Budget year +1 2015/2016	Budget year +2 2016/2017
Property Rates	8,500	8,959	9,442
Service Charges	800	843	889
Investment	2,000	1,370	1,444
Transfer Recognise Operational	123,111	155,613	158,825
Other Own Revenue	1,565	1,658	1,749
<b>Total Operating revenue (excluding capital transfers)</b>	<b>138,136</b>	<b>171,525</b>	<b>175,611</b>
<b>Total operating expenditure</b>	<b>146,507</b>	<b>155,254</b>	<b>164,148</b>
<b>Surplus (deficit)</b>	<b>(8,370)</b>	<b>16,271</b>	<b>11,464</b>

The following graph is a breakdown of the **operational revenue** per main category for the 2014/15 financial year



**Figure 5 Breakdown of operating revenue over the 2014/15 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as, solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 90 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2014/15 MTREF on the different revenue categories are:

**Table 21 Proposed tariff increases over the medium-term**

Revenue category	2014/15 proposed tariff De/Increase	2015/16 proposed tariff increase	2016/17 proposed tariff increase	2014/15 additional revenue for each 1% tariff increase	2015/16 additional revenue owing to % tariff increases	2016/17 Total Budgeted revenue
	%	%	%	R'000	R'000	R'000
Property rates	0	0	0	8 500	8 959	9 443
Refuse	0	0	0	800	847	894
<b>Total</b>				<b>9 300</b>	<b>9 849</b>	<b>10 390</b>

Revenue to be generated from property rates is R8.5 million in the 2014/15 financial year and increases to R9,4 million by 2016/17 which represents 6 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll. In addition there are still outstanding objections, although significant progress will be made in dealing with these objections in the 2014/15 financial year. It is anticipated that the process will be concluded by the end of 2014. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken every financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R800 000 for the 2014/15 financial year and increasing to R893 796 by 201/17. For the 2014/15 financial year services charges amount to 0.6 per cent of the total revenue base and grows by 0.6 per cent per annum over the medium-term.

Operational grants and subsidies amount to 138 million, R171 million and R176 million for each of the respective financial years of the MTREF, or 5.5 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 5.9 per cent and 5.5 per cent for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R2 million, R2.1 million and R2.2 million for the respective three financial years of the 2014/15 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

**Table 22 MBRR SA15 – Detail Investment Information**

Investment type	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
<b>Parent municipality</b>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		32 970	35 388	37 221	49 899	41 196	41 196	41 196	43 626	46 026
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
<b>Municipality sub-total</b>	1	32 970	35 388	37 221	49 899	41 196	41 196	41 196	43 626	46 026
<b>Entities</b>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
<b>Entities sub-total</b>		-	-	-	-	-	-	-	-	-
<b>Consolidated total:</b>		32 970	35 388	37 221	49 899	41 196	41 196	41 196	43 626	46 026



**Table 23(i) MBRR SA16 – Investment particulars by maturity**

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Paid (Rands)	Commission on Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	1	Yrs/Months												
<u>Parent municipality</u>														
Investec Bank		6 Months	Fixed Deposit	Yes	Fixed	5.75%	0	0	23 July 2014	30 696	1 765			32 461
														-
														-
														-
														-
														-
Municipality sub-total										30 696		-	-	32 461
<u>Entities</u>														
														-
														-
														-
														-
														-
														-
Entities sub-total										-		-	-	-
TOTAL INVESTMENTS AND INTEREST	1									30 696		-	-	32 461

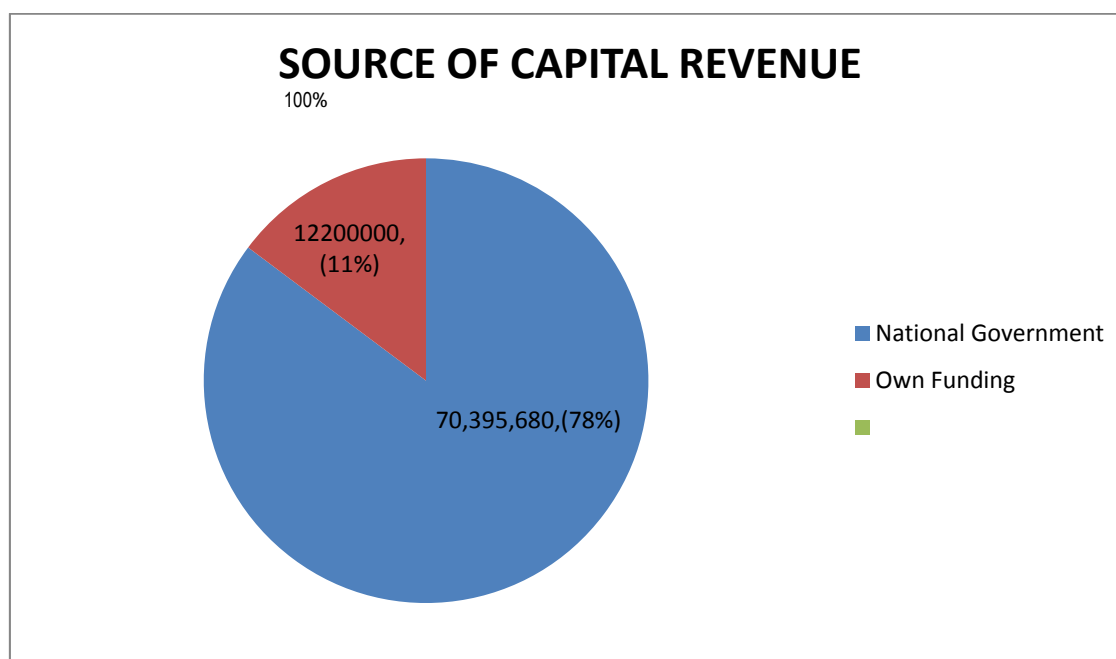
**Medium-term outlook: capital revenue**

The following table is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

**Table 23 Sources of capital revenue over the MTREF**

Description (R thousands)	Budget year 2014/2015	Budget year +1 2015/2016	Budget year +2 2016/2017
National Government	70,396	55,667	57,397
Provincial Government	0		
Own Funding	12,200		
<b>Total Capital Revenue</b>	<b>82,956</b>	<b>55,667</b>	<b>57,397</b>

The above table show only source of capital revenue from National, Provincial Government and Own Funding. Below is graphically representing all funds that municipal going to receive for the 2014/15 financial year.

**Figure 6 Sources of capital revenue for the 2014/15 financial year**

Capital grants and receipts equates to 17 (decrease), 26 (increase) and 3 per cent (increase) of the total funding source which represents R82.5 million for the 2014/15 financial year and steadily decrease to R57 million by 2016/17. Growth relating to grant receipts is 5.5 per cent over the medium-term.

**Table 24 MBRR Table SA 18 - Capital transfers and grant receipts**[illegible]

Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	-	70 608	80 367	95 579	82 310	82 310	70 396	55 667	57 397
TOTAL RECEIPTS OF TRANSFERS & GRANTS		61 401	148 138	171 251	198 638	185 369	185 369	193 507	211 280	216 222

## 2.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 25 MBRR Table A7 - Budget cash flow statement**

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Ratepayers and other		9 448	8 841	10 742	26 205	26 019	26 019	26 019	26 095	27 635	29 155
Government - operating	1	61 929	79 352	100 231	103 059	103 091	103 091	103 091	123 111	155 613	158 825
Government - capital	1	37 448	69 456	83 155	95 579	82 310	82 310	82 310	70 396	55 667	57 397
Interest		795	2 667	2 296	1 300	2 000	2 000	2 000	2 000	2 118	2 234
Dividends											
Payments											
Suppliers and employees		(66 730)	(95 443)	(105 107)	(107 789)	(109 585)	(109 585)	(109 585)	(124 217)	(131 546)	(138 781)
Finance charges		(50)	(124)	(309)	(70)	-	-	-	-	-	-
Transfers and Grants	1				(1 086)	(540)	(540)	(540)	(540)	(572)	(603)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>42 840</b>	<b>64 749</b>	<b>91 009</b>	<b>117 198</b>	<b>103 294</b>	<b>103 294</b>	<b>103 294</b>	<b>96 845</b>	<b>108 915</b>	<b>108 227</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE		-	21	19							
Decrease (Increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments											
Payments											
Capital assets		(38 905)	(59 366)	(86 369)	(107 639)	(102 438)	(102 438)	(102 438)	(82 596)	(55 667)	(57 397)

NET CASH FROM/(USED)											
INVESTING ACTIVITIES		(38 905)	(59 345)	(86 349)	(107 639)	(102 438)	(102 438)	(102 438)	(82 596)	(55 667)	(57 397)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing											
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		3 935	5 404	4 659	9 559	856	856	856	14 250	53 249	50 830
Cash/cash equivalents at the year begin:	2	28 551	32 486	37 891	42 846	42 550	42 550	42 550	43 406	57 655	110 904
Cash/cash equivalents at the year end:	2	32 486	37 891	42 550	52 405	43 406	43 406	43 406	57 655	110 904	161 734

The above table shows that cash and cash equivalents of the Municipality have relatively increased between the 2010/11 and 2013/14 financial year moving from cash balance of R43 million to 57 million with the approved 2014/15 MTREF. With the 2013/14 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will decrease to towards the financial year end.

### 2.6.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

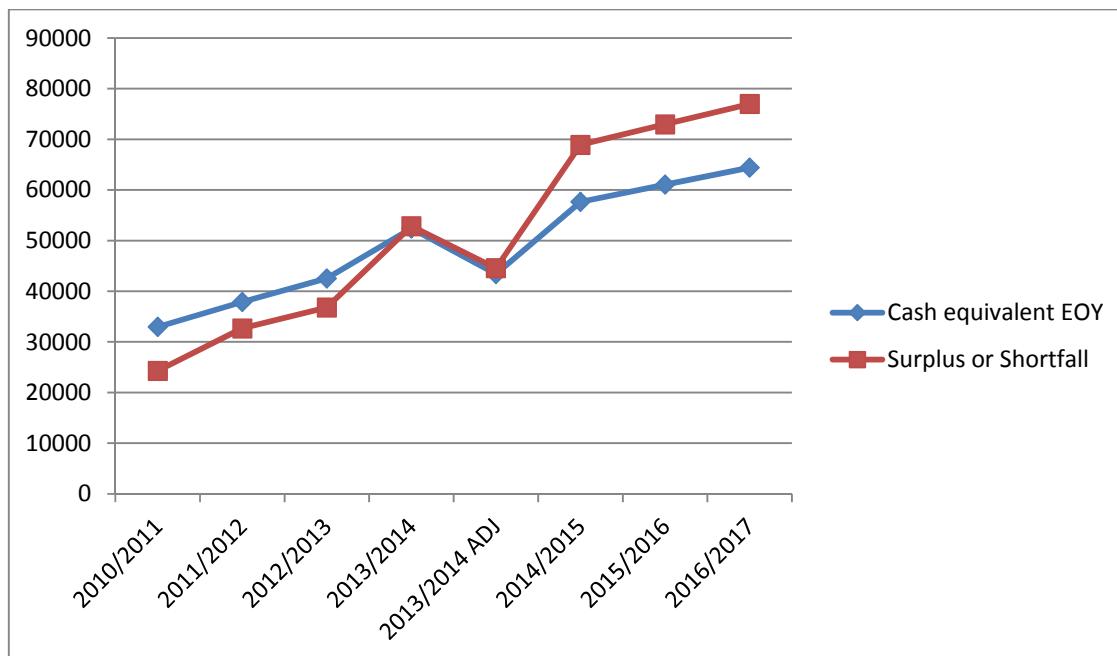
**Table 26 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	32 486	37 891	42 550	52 405	43 406	43 406	43 406	57 655	110 904	161 734
Other current investments > 90 days		483	0	0	(0)	0	0	0	–	(49 847)	(97 319)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>		<b>32 970</b>	<b>37 891</b>	<b>42 550</b>	<b>52 405</b>	<b>43 406</b>	<b>43 406</b>	<b>43 406</b>	<b>57 655</b>	<b>61 057</b>	<b>64 415</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		6 520	6 705	10 857	–	2 410	2 410	2 410	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	2 156	(1 490)	(5 111)	(464)	(3 568)	(3 568)	(3 568)	(11 250)	(11 914)	(12 569)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>8 676</b>	<b>5 214</b>	<b>5 746</b>	<b>(464)</b>	<b>(1 158)</b>	<b>(1 158)</b>	<b>(1 158)</b>	<b>(11 250)</b>	<b>(11 914)</b>	<b>(12 569)</b>
<b>Surplus(shortfall)</b>		<b>24 294</b>	<b>32 677</b>	<b>36 804</b>	<b>52 869</b>	<b>44 564</b>	<b>44 564</b>	<b>44 564</b>	<b>68 905</b>	<b>72 970</b>	<b>76 984</b>

From the above table it can be seen that the cash and investments available total R57.6 million in the 2014/15 financial year and progressively increase to R161 million by 2016/17, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2013/14 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. The Municipality has received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2013/14 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.



	Cash equivalent EOY	Surplus or Shortfall
2010/2011	32 970	24 294
2011/2012	37 891	32 677
2012/2013	42 550	36 804
2013/2014	52 405	52 869
2013/2014 ADJ	43 406	44 564
2014/2015	57 655	68 905
2015/2016	61 057	72 970
2016/2017	64 415	76 984

**Figure 7 Cash and cash equivalents / Cash backed reserves and accumulated funds**

#### 2.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to

which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 27 MBRR SA10 – Funding compliance measurement**

Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Funding measures</b>	–	–										
Cash/cash equivalents at the year end - R'000	18(1)b	1	32 486	37 891	42 550	52 405	43 406	43 406	43 406	57 655	110 904	161 734
Cash + investments at the yr end less applications - R'000	18(1)b	2	24 294	32 677	36 804	52 869	44 564	44 564	44 564	68 905	72 970	76 984
Cash year end/monthly employee/supplier payments	18(1)b	3	6.3	5.6	7.2	8.0	6.3	6.3	6.3	7.6	13.7	18.9
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	13 552	21 031	66 327	107 639	85 805	85 805	85 805	62 025	71 938	68 861
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(42.3%)	34.5%	22.4%	(6.0%)	(6.0%)	(6.0%)	(6.0%)	(0.1%)	(0.5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	45.9%	113.9%	100.1%	101.4%	96.5%	96.5%	96.5%	200.3%	200.3%	200.3%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital payments % of capital expenditure	18(1)c,19	8	100.7%	80.7%	89.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	100.0%	101.5%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	17.9%	109.1%	(54.4%)	45.7%	0.0%	0.0%	(18.8%)	5.9%	5.5%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.8%	1.6%	0.0%	2.9%	2.7%	2.7%	3.6%	3.6%	10.4%	10.4%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	1.4%	1.5%	1.5%	0.0%	0.0%	0.0%	0.0%



#### *2.6.4.1 Cash/cash equivalent position*

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2014/15 MTREF shows –R57, -R110 and –R161 million for each respective financial year.

#### *2.6.4.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 11. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *2.6.4.3 Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been falling significantly for the period 2008/09 to 2011/12, moving from 28.1 to (0.2) with the adopted 2012/13 MTREF. As part of the 2014/15 MTREF the municipalities improving cash position causes the ratio to move upwards to (0.0) and then reduces slightly to (0.1) for the outer years. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

#### *2.6.4.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2014/15 financial year the indicative outcome is a surplus of R68, 72 and 76 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

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#### *2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 6.2, 5.9 and 5.5 per cent for the respective financial year of the 2014/15 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 0 per cent. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

#### *2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 6.2, 5.9 and 5.5 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 90 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *2.6.4.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 6.2, 5.9 and 5.5 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *2.6.4.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 1.5 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### *2.6.4.9 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could

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indicate that not all grants as contained in the Division of Revenue Act (DORA) have been budgeted for. The Municipality has budgeted for all transfers.

#### 2.6.4.10 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtors accounts within 30 days.

#### 2.6.4.11 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 42 MBRR SA34C.

#### 2.6.4.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 28 MBRR SA19 - Expenditure on transfers and grant programmes**

Description  R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		61 437	77 228	88 258	100 378	100 378	100 378	122 430	154 893	157 848
Local Government Equitable Share		59 411	74 978	85 299	96 838	96 838	96 838	116 142	150 282	152 963
Finance Management		1 226	1 450	1 500	1 650	1 650	1 650	1 800	1 950	2 100
Municipal Systems Improvement		800	800	800	890	890	890	934	967	1 018
EPWP Incentive				659	1 000	1 000	1 000	1 913	-	-
MIG Admin Cost 4% of R41								1 641	1 694	1 767

033 000									
Provincial Government:	-	302	359	853	853	853	681	720	977
Art & Culture -Community Library Services		302	359	139	139	139	146	153	380
Art & Culture -Provincial Libraries				514	514	514	535	567	597
Community Participation in IDP				200	200	200	-	-	-
District Municipality:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>									
Other grant providers:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>									
Total operating expenditure of Transfers and Grants:	61 437	77 530	88 617	101 231	101 231	101 231	123 111	155 613	158 825
<u>Capital expenditure of Transfers and Grants</u>									
National Government:	37 043	66 619	83 823	86 218	72 949	72 949	70 396	55 667	57 397
Municipal Infrastructure Grant (MIG)	23 768	43 732	56 073	46 218	46 218	46 218	39 392	40 667	42 397
Neighbourhood Development Partnership	8 597	13 239	16 018	21 000	11 731	11 731	16 000	-	-
Rural Households Infrastructure				4 000	-	-			
Intergrated National Electrification Programme	4 678	9 648	11 732	15 000	15 000	15 000	15 004	15 000	15 000
Provincial Government:	-	-	-	-	-	-	-	-	-
Small Town Rehabilitation Grant									
District Municipality:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>									
Other grant providers:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>									
Total capital expenditure of Transfers and Grants	37 043	66 619	83 823	86 218	72 949	72 949	70 396	55 667	57 397
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	98 480	144 148	172 439	187 449	174 180	174 180	193 507	211 280	216 222

[illegible]

Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		37 865	-	15 422	95 579	82 310	82 310	70 396	55 667	57 397
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		40 410	0	16 763	198 638	185 369	185 369	193 507	211 280	216 222
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

## 2.8 Councillor and employee benefits

**Table 30 MBRR SA22 - Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration  R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Councillors (Political Office Bearers plus Other)</b>	1	A	B	C	D	E	F	G	H	I
Basic Salaries and Wages		5 772	7 440	8 652	6 876	7 707	7 707	7 464	7 837	8 229
Pension and UIF Contributions		683	572	767	1 577	1 459	1 459	1 679	1 763	1 851
Medical Aid Contributions		243	234	74	691	212	212	691	726	762
Motor Vehicle Allowance		1 011	1 341	1 396	2 628	2 461	2 461	2 798	2 938	3 085
Cellphone Allowance		754	991	1 015	553	1 390	1 390	553	581	610
Housing Allowances						56	56			
Other benefits and allowances						95	95			
Sub Total - Councillors		8 464	10 578	11 905	12 324	13 381	13 381	13 185	13 844	14 536
% increase	4		25.0%	12.5%	3.5%	8.6%	-	(1.5%)	5.0%	5.0%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		2 031	1 560	2 680	4 705	4 663	4 663	5 089	5 415	5 761
Pension and UIF Contributions		397	372	558	54	51	51	55	59	63
Medical Aid Contributions						-	-	-	-	-
Overtime						-	-	-	-	-
Performance Bonus		-	115	-	659	294	294	458	487	519
Motor Vehicle Allowance	3	966	821	1 077		-	-	-	-	-
Cellphone Allowance	3	123	64	75	78	78	78	78	83	88
Housing Allowances	3			88						
Other benefits and allowances	3	691	911	148						
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		4 209	3 843	4 626	5 496	5 086	5 086	5 681	6 044	6 431
% increase	4		(8.7%)	20.4%	18.8%	(7.5%)	-	11.7%	6.4%	6.4%

[illegible]

**Table 31 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)**

[illegible]



**Table 32 MBRR SA24 – Summary of personnel numbers**

[illegible]

Technicians <i>Finance</i>  <i>Spatial/town planning</i> <i>Information Technology</i>  <i>Roads</i>  <i>Electricity</i> <i>Water</i> <i>Sanitation</i> <i>Refuse</i>  <i>Other</i>		92	92		109	105	4	115	105	10
		27	27	–	24	23	1	24	23	1
		1	1							
		3	3		4	3	1	4	3	1
		1	1		2	2		2	2	
		22	22		18	18		18	18	
Clerks (Clerical and administrative)										
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators										
Elementary Occupations										
TOTAL PERSONNEL NUMBERS	9	183	136	47	204	154	50	210	154	56
% increase				11.5%	13.2%	6.4%	2.9%	–	12.0%	
Total municipal employees headcount	6, 10, 8,									
Finance personnel headcount	10									
Human Resources personnel headcount	8, 10									

## 2.9 Monthly targets for revenue, expenditure and cash flow

**Table 33 MBRR SA25 - Budgeted monthly revenue and expenditure**

Description  R thousand	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue By Source</b>	-															
Property rates		708	708	708	708	708	708	708	708	708	708	708	708	8 500	9 002	9 497
Property rates - penalties & collection charges														-	-	-
Service charges - electricity revenue														-	-	-
Service charges - water revenue														-	-	-
Service charges - sanitation revenue														-	-	-
Service charges - refuse revenue		67	67	67	67	67	67	67	67	67	67	67	67	800	847	894
Service charges - other														-	-	-
Rental of facilities and equipment		88	88	88	88	88	88	88	88	88	88	88	88	1 060	1 123	1 184
Interest earned - external investments		167	167	167	167	167	167	167	167	167	167	167	167	2 000	2 118	2 234
Interest earned - outstanding debtors		21	21	21	21	21	21	21	21	21	21	21	21	250	265	279
Dividends received														-	-	-
Fines		50	50	50	50	50	50	50	50	50	50	50	50	600	635	670
Licences and permits		21	21	21	21	21	21	21	21	21	21	21	21	250	265	279
Agency services														-	-	-
Transfers recognised - operational		10 259	10 259	10 259	10 259	10 259	10 259	10 259	10 259	10 259	10 259	10 259	10 260	123 111	155 613	158 825
Other revenue		130	130	130	130	130	130	130	130	130	130	130	131	1 565	1 658	1 749
Gains on disposal of PPE														-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>11 511</b>	<b>11 511</b>	<b>11 511</b>	<b>11 511</b>	<b>11 511</b>	<b>11 511</b>	<b>11 511</b>	<b>11 511</b>	<b>11 511</b>	<b>11 511</b>	<b>11 511</b>	<b>11 512</b>	<b>138 136</b>	<b>171 525</b>	<b>175 611</b>
<b>Expenditure By Type</b>	-															
Employee related costs		3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 694	44 320	47 157	50 175
Remuneration of councillors		1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	13 185	13 844	14 536
Debt impairment														-	-	-
Depreciation & asset impairment		1 229	1 229	1 229	1 229	1 229	1 229	1 229	1 229	1 229	1 229	1 229	1 229	14 750	15 620	16 479
Finance charges														-	-	-
Bulk purchases														-	-	-
Other materials														-	-	-
Contracted services		618	618	618	618	618	618	618	618	618	618	618	618	7 420	7 858	8 290
Transfers and grants		128	128	128	128	128	128	128	128	128	128	128	128	1 540	1 631	1 721

Other expenditure		5 441	5 441	5 441	5 441	5 441	5 441	5 441	5 441	5 441	5 441	5 441	5 441	65 292	69 144	72 947
Loss on disposal of PPE													–	–	–	–
Total Expenditure		12 209	12 209	12 209	12 209	12 209	12 209	12 209	12 209	12 209	12 209	12 209	12 209	146 507	155 254	164 148
Surplus/(Deficit)		(698)	(698)	(698)	(698)	(698)	(698)	(698)	(698)	(698)	(698)	(697)	(697)	(8 370)	16 271	11 464
Transfers recognised - capital		5 866	5 866	5 866	5 866	5 866	5 866	5 866	5 866	5 866	5 866	5 866	5 866	70 396	55 667	57 397
Contributions recognised - capital													–	–	–	–
Contributed assets													–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	62 025	71 938	68 861
Taxation													–	–	–	–
Attributable to minorities													–	–	–	–
Share of surplus/ (deficit) of associate													–	–	–	–
Surplus/(Deficit)	1	5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	5 169	62 025	71 938	68 861

**Table 34 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue by Vote</b>	-															
Vote 1 - EXECUTIVE&COUNCIL		9 171				6 398				5 758			0	21 327	22 585	23 827
Vote 2 - BUDGET & TREASURY OFFICE		12 706	638	638	638	8 562	638	638	638	5 500	638	638	0	31 874	33 755	35 611
Vote 3 - CORPORATE SERVICES		8 336				5 816				5 234			0	19 385	20 528	21 657
Vote 4 - COMMUNITY & SOCIAL SERVICES		7 696	104	104	104	5 369	104	104	104	4 800	104	104	0	18 698	19 801	20 890
Vote 5 - STRATEGIC PLANNING		5 054				3 526				3 173			0	11 753	12 446	13 131
Vote 6 - INFRASTRUCTURE		33 093	50	9 054	21 050	15 530	3 050	5 050	50	18 469	50	50	0	105 496	108 794	96 546
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
<b>Total Revenue by Vote</b>		<b>76 055</b>	<b>792</b>	<b>9 796</b>	<b>21 792</b>	<b>45 201</b>	<b>3 792</b>	<b>5 792</b>	<b>792</b>	<b>42 933</b>	<b>792</b>	<b>792</b>	<b>2</b>	<b>208 532</b>	<b>217 909</b>	<b>211 663</b>
<b>Expenditure by Vote to be appropriated</b>	-															
Vote 1 - EXECUTIVE&COUNCIL		2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	27 855	29 498	31 121
Vote 2 - BUDGET & TREASURY OFFICE		2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 076	24 923	26 393	27 845
Vote 3 - CORPORATE SERVICES		2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	26 592	28 161	29 710
Vote 4 - COMMUNITY & SOCIAL SERVICES		1 839	1 839	1 839	1 839	1 839	1 839	1 839	1 839	1 839	1 839	1 839	1 840	22 071	23 374	24 659
Vote 5 - STRATEGIC PLANNING		1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	12 774	13 528	14 272
Vote 6 - INFRASTRUCTURE		3 708	3 708	3 708	3 708	3 708	3 708	3 708	3 708	3 708	3 708	3 708	3 707	44 492	47 117	49 708
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-

Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Total Expenditure by Vote		13 226	13 226	13 226	13 226	13 226	13 226	13 226	13 226	13 226	13 226	13 226	13 225	158 707	168 071	177 314
Surplus/(Deficit) before assoc.		62 829	(12 433)	(3 429)	8 567	31 976	(9 433)	(7 433)	(12 433)	29 707	(12 433)	(12 433)	(13 224)	49 825	49 839	34 348
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	62 829	(12 433)	(3 429)	8 567	31 976	(9 433)	(7 433)	(12 433)	29 707	(12 433)	(12 433)	(13 224)	49 825	49 839	34 348

Table 35 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Revenue - Standard</b>	-	30 212	638	638	638	20 776	638	638	638	16 491	638	638	1	72 585	76 868	81 096
<i>Governance and administration</i>		9 171				6 398				5 758			0	21 327	22 585	23 827
Executive and council		12 706	638	638	638	8 562	638	638	638	5 500	638	638	0	31 874	33 755	35 611
Budget and treasury office		8 336				5 816				5 234			0	19 385	20 528	21 657
Corporate services		7 696	104	104	104	5 369	104	104	104	4 000	104	104	0	17 898	18 954	19 996
<i>Community and public safety</i>		7 696	104	104	104	5 369	104	104	104	4 000	104	104	0	17 898	18 954	19 996
Community and social services													-	-	-	-
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		20 147	50	50	50	14 056	50	50	50	12 250	50	50	1	46 853	49 574	52 279
Planning and development		5 054				3 526				3 173			0	11 753	12 446	13 131
Road transport		15 093	50	50	50	10 530	50	50	50	9 077	50	50	0	35 100	37 127	39 148
Environmental protection													-	-	-	-
<i>Trading services</i>		67	67	67	67	67	67	67	67	67	67	67	63	800	847	894
Electricity													-	-	-	-
Water													-	-	-	-

Waste water management													-	-	-	-
Waste management		67	67	67	67	67	67	67	67	67	67	67	63	800	847	894
<i>Other</i>													-	-	-	-
Total Revenue - Standard		58 122	859 963	859 963	859 963	40 268 55 562	859 963	859 963	859 963	32 808 45 739	859 963	859 963	64	138 136	146 243	154 265
<u>Expenditure - Standard</u>	-															
<i>Governance and administration</i>		6 614	6 614	6 614	6 614	6 614	6 614	6 614	6 614	6 614	6 614	6 614	6 614	79 370	84 052	88 675
Executive and council		2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	2 321	27 855	29 498	31 121
Budget and treasury office		2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 077	2 076	24 923	26 393	27 845
Corporate services		2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	2 216	26 592	28 161	29 710
<i>Community and public safety</i>		9 491	218	218	218	6 621	218	218	218	4 000	218	218	218	22 071	23 374	24 659
Community and social services		9 491	218	218	218	6 621	218	218	218	4 000	218	218	218	22 071	23 374	24 659
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		4 708	4 708	4 708	4 708	4 708	4 708	4 708	4 708	4 708	4 708	4 708	4 708	56 496	59 829	63 120
Planning and development		1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	1 065	12 774	13 528	14 272
Road transport		3 644	3 644	3 644	3 644	3 644	3 644	3 644	3 644	3 644	3 644	3 644	3 643	43 722	46 301	48 848
Environmental protection													-	-	-	-
<i>Trading services</i>		64	64	64	64	64	64	64	64	64	64	64	64	770	815	860
Electricity													-	-	-	-
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management		64	64	64	64	64	64	64	64	64	64	64	64	770	815	860
<i>Other</i>													-	-	-	-
Total Expenditure - Standard		20 877	11 604	11 604	11 604	18 008	11 604	11 604	11 604	15 386	11 604	11 604	11 604	158 707	168 071	177 314
Surplus/(Deficit) before assoc.		37 245	(10 745)	(10 745)	(10 745)	22 260	(10 745)	(10 745)	(10 745)	17 422	(10 745)	(10 745)	(11 540)	(20 570)	(21 828)	(23 049)
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	37 245	(10 745)	(10 745)	(10 745)	22 260	(10 745)	(10 745)	(10 745)	17 422	(10 745)	(10 745)	(11 540)	(20 570)	(21 828)	(23 049)

**Table 36 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

Description  R thousand	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b><u>Multi-year expenditure to be appropriated</u></b>	1															
Vote 1 - EXECUTIVE&COUNCIL													-	-	-	-
Vote 2 - BUDGET & TREASURY OFFICE													-	-	-	-
Vote 3 - CORPORATE SERVICES													-	-	-	-
Vote 4 - COMMUNITY & SOCIAL SERVICES													-	-	-	-
Vote 5 - STRATEGIC PLANNING													-	-	-	-
Vote 6 - INFRASTRUCTURE													-	-	-	-
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b><u>Single-year expenditure to be appropriated</u></b>																
Vote 1 - EXECUTIVE&COUNCIL							200						-	200	-	-
Vote 2 - BUDGET & TREASURY OFFICE							100						-	100	-	-
Vote 3 - CORPORATE SERVICES						2 000				2 000			-	4 000	-	-
Vote 4 - COMMUNITY & SOCIAL SERVICES				1 000			100		400				-	1 500	-	-



Vote 5 - STRATEGIC PLANNING				200					200				-	400	-	-
Vote 6 - INFRASTRUCTURE		6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	76 396	55 667	57 397
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Capital single-year expenditure sub-total	2	6 366	6 366	7 566	6 366	8 366	6 766	6 366	6 966	8 366	6 366	6 366	6 366	82 596	55 667	57 397
Total Capital Expenditure	2	6 366	6 366	7 566	6 366	8 366	6 766	6 366	6 966	8 366	6 366	6 366	6 366	82 596	55 667	57 397

**Table 37 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

Description  R thousand	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<b>Capital Expenditure - Standard</b>	1															
<i>Governance and administration</i>		-	-	-	-	2 000	300	-	-	2 000	-	-	-	4 300	-	-
Executive and council							200						-	200	-	-
Budget and treasury office							100						-	100	-	-
Corporate services						2 000				2 000			-	4 000	-	-
<i>Community and public safety</i>		-	-	1 000	-	-	100	-	400	-	-	-	-	1 500	-	-
Community and social services				1 000			100		400				-	1 500	-	-
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		6 366	6 366	6 566	6 366	6 366	6 366	6 366	6 566	6 366	6 366	6 366	6 370	76 796	55 667	57 397
Planning and development				200					200				-	400	-	-
Road transport		6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 370	76 396	55 667	57 397
Environmental protection													-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity													-	-	-	-
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management													-	-	-	-
<i>Other</i>													-	-	-	-
<b>Total Capital Expenditure - Standard</b>	2	6 366	6 366	7 566	6 366	8 366	6 766	6 366	6 966	8 366	6 366	6 366	6 370	82 596	55 667	57 397
<b>Funded by:</b>																
National Government		6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	370	70 396	55 667	57 397
Provincial Government													-	-	-	-
District Municipality													-	-	-	-
Other transfers and grants													-	-	-	-
Transfers recognised - capital		6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	6 366	370	70 396	55 667	57 397
Public contributions & donations													-	-	-	-

**Table 38 MBRR SA30 - Budgeted monthly cash flow**

MONTHLY CASH FLOWS	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework			
	R thousand	July	August	Sept.	October	November	Decembe r	Januar y	Februar y	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash Receipts By Source														1		
Property rates	638	638	638	638	638	638	638	638	638	638	638	638	638	7 650	8 101	8 547
Property rates - penalties & collection charges													–			
Service charges - electricity revenue													–			
Service charges - water revenue													–			
Service charges - sanitation revenue													–			
Service charges - refuse revenue	60	60	60	60	60	60	60	60	60	60	60	60	60	720	762	804
Service charges - other													–			
Rental of facilities and equipment	97	97	97	97	97	97	97	97	97	97	97	97	97	1 160	1 228	1 296
Interest earned - external investments	167	167	167	167	167	167	167	167	167	167	167	167	167	2 000	2 118	2 234
Interest earned - outstanding debtors	21	21	21	21	21	21	21	21	21	21	21	21	21	250	265	279
Dividends received													–			
Fines	50	50	50	50	50	50	50	50	50	50	50	50	50	600	635	670
Licences and permits	21	21	21	21	21	21	21	21	21	21	21	21	21	250	265	279
Agency services													–			
Transfer receipts - operational	52 876	500		681	36 500		513		32 041				–	123 111	155 613	158 825
Other revenue	1 289	1 289	1 289	1 289	1 289	1 289	1 289	1 289	1 289	1 289	1 289	1 289	1 289	15 465	16 378	17 278
Cash Receipts by Source	55 217	2 841	2 341	3 022	38 841	2 341	2 854	2 341	34 383	2 341	2 341	2 341	2 341	151 206	185 366	190 214
Other Cash Flows by Source																
Transfer receipts - capital	18 000		9 004	21 000	5 000	3 000	5 000		9 392				–	70 396	55 667	57 397
Contributions recognised - capital &													–			
Contributed assets													–			
Proceeds on disposal of PPE													–			
Short term loans													–			
Borrowing long term/refinancing													–			

Increase (decrease) in consumer deposits												-			
Decrease (Increase) in non-current debtors												-			
Decrease (increase) other non-current receivables												-			
Decrease (increase) in non-current investments												-			
<b>Total Cash Receipts by Source</b>	<b>73 217</b>	<b>2 841</b>	<b>11 345</b>	<b>24 022</b>	<b>43 841</b>	<b>5 341</b>	<b>7 854</b>	<b>2 341</b>	<b>43 774</b>	<b>2 341</b>	<b>2 341</b>	<b>2 341</b>	<b>221 602</b>	<b>241 033</b>	<b>247 611</b>
<b>Cash Payments by Type</b>															
Employee related costs	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	3 693	44 320	47 157	50 175
Remuneration of councillors	1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	1 099	13 185	13 844	14 536
Finance charges												-			
Bulk purchases - Electricity												-			
Bulk purchases - Water & Sewer												-			
Other materials												-			
Contracted services	618	618	618	618	618	618	618	618	618	618	618	618	7 420	7 858	8 290
Transfers and grants - other municipalities												-			
Transfers and grants - other	45	45	45	45	45	45	45	45	45	45	45	45	540	572	603
Other expenditure	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941	4 941	59 292	62 687	65 779
<b>Cash Payments by Type</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>10 396</b>	<b>124 757</b>	<b>132 118</b>	<b>139 384</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	6 883	6 883	6 883	6 883	6 883	6 883	6 883	6 883	6 883	6 883	6 883	6 883	82 596	55 667	57 397
Repayment of borrowing												-			
Other Cash Flows/Payments												-			
<b>Total Cash Payments by Type</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>17 279</b>	<b>207 353</b>	<b>187 784</b>	<b>196 781</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>55 938</b>	<b>(14 438)</b>	<b>(5 934)</b>	<b>6 743</b>	<b>26 562</b>	<b>(11 938)</b>	<b>(9 425)</b>	<b>(14 938)</b>	<b>26 495</b>	<b>(14 938)</b>	<b>(14 938)</b>	<b>(14 938)</b>	<b>14 250</b>	<b>53 249</b>	<b>50 830</b>
Cash/cash equivalents at the month/year begin:	43 406	99 344	84 905	78 971	85 714	112 276	100 338	90 913	75 975	102 470	87 532	72 593	43 406	57 655	110 904
Cash/cash equivalents at the month/year end:	99 344	84 905	78 971	85 714	112 276	100 338	90 913	75 975	102 470	87 532	72 593	57 655	57 655	110 904	161 734

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

[illegible]

[illegible]

**Table 40 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class**

[illegible]





**Table 41 MBRR SA34c - Repairs and maintenance expenditure by asset class**

[illegible]

Other	10										
Other assets		222	348	–	473	980	980	2 488	8 671	9 148	
General vehicles		219	116		220	270	270	600			
Specialised vehicles		–	–	–	–	–	–	–	–	–	
Plant & equipment								1 000	4 236	4 469	
Computers - hardware/equipment											
Furniture and other office equipment		3	232		253	210	210	188	199	210	
Abattoirs											
Markets											
Civic Land and Buildings											
Other Buildings						500	500	700	4 236	4 469	
Other Land											
Surplus Assets - (Investment or Inventory)											
Other											
Agricultural assets			–	–	–	–	–	–	–	–	–
List sub-class											
Biological assets			–	–	–	–	–	–	–	–	–
List sub-class											
Intangibles		–	–	–	–	–	–	–	–	–	
Computers - software & programming											
Other (list sub-class)											
Total Repairs and Maintenance Expenditure	1	4 613	4 671	–	7 878	7 299	7 299	9 788	29 851	31 493	

Specialised vehicles		–	–	–	–	–	–	–	–	–
Refuse										
Fire										
Conservancy										
Ambulances										
R&M as a % of PPE		1.8%	1.6%	0.0%	2.9%	2.7%	2.7%	3.6%	10.4%	10.4%
R&M as % Operating Expenditure		4.3%	3.4%	0.0%	6.7%	5.7%	5.7%	6.7%	19.2%	19.2%

**Table 42 MBRR SA35 - Future financial implications of the capital budget**

Vote Description  R thousand	Ref	2014/15 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Present value
<b>Capital expenditure</b>	1							
Vote 1 - EXECUTIVE&COUNCIL		200	–	–				
Vote 2 - BUDGET & TREASURY OFFICE		100	–	–				
Vote 3 - CORPORATE SERVICES		4 000	–	–				
Vote 4 - COMMUNITY & SOCIAL SERVICES		1 500	–	–				
Vote 5 - STRATEGIC PLANNING		400	–	–				
Vote 6 - INFRASTRUCTURE		76 396	55 667	57 397	60 554	63 885	67 398	10 649
Vote 7 - [NAME OF VOTE 7]		–	–	–				
Vote 8 - [NAME OF VOTE 8]		–	–	–				
Vote 9 - [NAME OF VOTE 9]		–	–	–				
Vote 10 - [NAME OF VOTE 10]		–	–	–				
Vote 11 - [NAME OF VOTE 11]		–	–	–				
Vote 12 - [NAME OF VOTE 12]		–	–	–				
Vote 13 - [NAME OF VOTE 13]		–	–	–				
Vote 14 - [NAME OF VOTE 14]		–	–	–				
Vote 15 - [NAME OF VOTE 15]		–	–	–				
<i>List entity summary if applicable</i>								
<b>Total Capital Expenditure</b>		82 596	55 667	57 397	60 554	63 885	67 398	10 649
<b>Future operational costs by vote</b>	2							
Vote 1 - EXECUTIVE&COUNCIL								
Vote 2 - BUDGET & TREASURY OFFICE								
Vote 3 - CORPORATE SERVICES								
Vote 4 - COMMUNITY & SOCIAL SERVICES								
Vote 5 - STRATEGIC PLANNING								
Vote 6 - INFRASTRUCTURE		3 521	3 689	3 880	4 093	4 318	4 556	720
Vote 7 - [NAME OF VOTE 7]								
Vote 8 - [NAME OF VOTE 8]								
Vote 9 - [NAME OF VOTE 9]								
Vote 10 - [NAME OF VOTE 10]								
Vote 11 - [NAME OF VOTE 11]								
Vote 12 - [NAME OF VOTE 12]								
Vote 13 - [NAME OF VOTE 13]								
Vote 14 - [NAME OF VOTE 14]								
Vote 15 - [NAME OF VOTE 15]								
<i>List entity summary if applicable</i>								
<b>Total future operational costs</b>		3 521	3 689	3 880	4 093	4 318	4 556	720
<b>Future revenue by source</b>	3							
Property rates								
Property rates - penalties & collection charges								
Service charges - electricity revenue								
Service charges - water revenue								
Service charges - sanitation revenue								
Service charges - refuse revenue								
Service charges - other								
Rental of facilities and equipment								
<i>Other Revenue by source</i>								
<i>List entity summary if applicable</i>								
<b>Total future revenue</b>		–	–	–	–	–	–	–
<b>Net Financial Implications</b>		86 117	59 356	61 277	64 647	68 203	71 954	11 369

**Table 43 MBRR SA36 - Detailed capital budget per municipal vote**

Municipal Vote/Capital project  R thousand	Ref  4	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No)  6	Asset Class  3	Asset Sub-Class  3	GPS co-ordinates  5	Total Project Estimate	Prior year outcomes		2014/15 Medium Term Revenue & Expenditure Framework			Project information	
										Audited Outcome 2012/13	Current Year 2013/14 Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>																
Infrastructure		Masamini to Nxaphanxapheni				Infrastructure - Road transport	Roads, Pavements & Bridges				155					
Infrastructure		Sportsfield				Community	Sportsfields & stadia				1 687					
Infrastructure		Rietvlei Sportfield -Phase ii				Community	Sportsfields & stadia				160					
Infrastructure		Off Stralhoek to Mathathane Acc Rd				Infrastructure - Road transport										
Infrastructure		Dressini Sportfield				Community	Sportsfields & stadia				1 038					
Infrastructure		Zwelinzima Sportfield				Community	Sportsfields & stadia				750					
Infrastructure		Ngunjini Community Hall				Community	Community halls									
Infrastructure		Lugawini Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges			50		97			15	Rollover
Infrastructure		Mpola Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges			1 915	530	61			10	Rollover
Infrastructure		Siphahleni Access ROAD				Infrastructure - Road transport	Roads, Pavements & Bridges				1 524					
Infrastructure		Bombo (Lugawini) Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges				130					
Infrastructure		Gijima to Magaqa Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges			1 279	1 970	157			17	Rollover
Infrastructure		Khayeka Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges				2 900					
Infrastructure		Ntokozweni Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges			2 024	1 581	46			2	Rollover
Infrastructure		Antiock Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges				1 826					

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Infrastructure	Gudintaba Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges			1 543	1 684	173			7	Rollover
Infrastructure	Emaus Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges			1 951	1 868	190			9	Rollover
Infrastructure	Angus Farm Community Hall				Community	Community halls			247	2 242	170			15	Rollover
Infrastructure	Mzwandile Mhlawuli Community Hall				Community	Community halls				211					
Infrastructure	MIG Programme Manager 2013/2014				Infrastructure - Road transport	Other									
Infrastructure	Nsingizi to Mshayazafe Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges				545	8 000			8	Rollover
Infrastructure	Matshitshi Access Road				Infrastructure - Road transport	Roads, Pavements & Bridges				1 389	97			3	Rollover
Infrastructure	Tarring of residential Road(Ibisi)				Infrastructure - Road transport	Roads, Pavements & Bridges				5 103	265			11	Rollover
Infrastructure	Tarring of Residential Road(White City)				Infrastructure - Road transport	Roads, Pavements & Bridges				3 300	133			16	Rollover
Infrastructure	Fencing of Cemeteries(ibisi)				Infrastructure - Other	Cemeteries				627	718			11	Rollover
Infrastructure	Fencing of Cemeteries(Town)				Infrastructure - Other	Cemeteries					750			16	Rollover
Infrastructure	Fencing of Cemeteries(Riverside)				Infrastructure - Other	Cemeteries				627	758				Rollover
Infrastructure	Fencing of Cemeteries(Rietvlei)				Infrastructure - Other	Cemeteries				627	828				Rollover
Infrastructure	Fencing of Cemeteries(Kokshi II)				Infrastructure - Other	Cemeteries				627	848			13	Rollover
Infrastructure	Fencing of Cemeteries(Clydesdale)				Infrastructure - Other	Cemeteries					848			16	Rollover
Infrastructure	Ward 19 Sport field				Community	Sportsfields & stadia					324			19	Rollover
Infrastructure	Development of Umzimkhulu Landfil Site				Community	Other									
Infrastructure	Ward 16 Soccer field				Community	Sportsfields & stadia					997			16	Rollover
Infrastructure	Ward 13 Community Hall - Kokshill				Community	Community halls					1 396			13	Rollover

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[illegible]

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Entity																
Entity A Water project A																
Entity B Electricity project B																
Entity Capital expenditure										-	-	-	-	-		
Total Capital expenditure										9 009	78 600	70 395	-	-		

**Table 44 MBRR SA37 - Projects delayed from previous financial year**

Municipal Vote/Capital project	Ref. 1,2	Project name	Project number	Asset Class 3	Asset Sub-Class 3	GPS co- ordinates 4	Previous target year to complete	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework		
								Original Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand							Year					
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>				<i>Examples</i>	<i>Examples</i>							
Infrastructure		Lugawini Access Road		Infrastructure - Road transport	Roads, Pavements & Bridges			130	130	97		
Infrastructure		Mpola Access Road		Infrastructure - Road transport	Roads, Pavements & Bridges			530	530	61		
Infrastructure		Gijima to Magaqa Access Road		Infrastructure - Road transport	Roads, Pavements & Bridges			1 970	1 970	46		
Infrastructure		Ntokozweni Access Road		Infrastructure - Road transport	Roads, Pavements & Bridges			1 581	1 581	157		
Infrastructure		Gudlintaba Access Road		Infrastructure - Road transport	Roads, Pavements & Bridges			1 684	1 684	173		
Infrastructure		Emaus Access Road		Infrastructure - Road transport	Roads, Pavements & Bridges			1 868	1 868	190		
Infrastructure		Angus Farm Community Hall		Community	Community halls			2 242	2 242	170		

UMzimkhulu Municipality

## 2014/15 Budget and MTREF

[illegible]



## 2.12 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
  2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed 6 interns undergoing training in various divisions of the Financial Services Department. Currently we have six interns to complete their two year contract two of them in June 2013. Since the introduction of the Internship programme the Municipality has successfully employed and trained 11 interns through this programme and a majority of them were appointed either in the Municipality or other Institutions such as KPMG, Ernest & Young, SARS, Auditor General, and National Treasury.
  3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
  4. Audit Committee  
An Audit Committee has been established and is fully functional.
  5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a final stage and will be finalised and submitted to stakeholders within 28 days after approval of the 2014/15 MTREF in 31 May 2013 directly aligned and informed by the 2014/15 MTREF.
  6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
  7. MFMA Training  
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
  8. Policies  
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.
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**Municipal manager's quality certificate**

I ....., municipal manager of UMzimkhulu Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of UMzimkhulu Municipality (KZN435)

Signature \_\_\_\_\_

Date \_\_\_\_\_

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